

ATTACHMENT A

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

In the matter of the Application of the
**SOUTHERN CALIFORNIA WATER
COMPANY (U 133 W)** for an order
authorizing it to increase rates for
water service by \$15,377,000 or 19.34%
in 2004; by \$6,642,000 or 6.98% in
2005; and by \$6,629,700 or 6.51% in
2006 in its Metropolitan Service Area.

Application No.
03-10-006

STIPULATION AND SETTLEMENT

1.00 Introduction

- 1.01 This Stipulation resolves all of the issues in the matter of the application of Southern California Water Company (SCWC) for an increase in its general rates for water service in its Region II Service Area.
- 1.02 The parties to this Stipulation are SCWC and the Office of Ratepayer Advocates (ORA) of the Commission, collectively referred to as the "Parties".
- 1.03 ORA conducted an independent review of SCWC's application. As part of this review, field tours and Public Participation Hearings were held in the cities of Bell Gardens and Carson in the Metropolitan CSAs. ORA submitted reports, dated February 9, 2004, indicating areas of disagreement with SCWC's application. Subsequently, the Parties met to discuss the differences between SCWC's application and ORA's reports. Those negotiations resulted in the resolution of the following issues set forth below.
- 1.04 This document contains a description of the stipulated issues. Appendix A to this Stipulation shows a summary of earnings comparison for SCWC versus ORA based on stipulated items both from SCWC's position and ORA's position.
- 1.05 Attached to this Stipulation are the following appendices:

Appendix A – Summary of Earnings

Appendix B – Stipulated Capital Budgets and Advice Letters

- 1.06 The Parties agree that neither signatory to this Stipulation nor any member of ORA or SCWC assumes any personal liability as a result of this Stipulation. The Parties agree that no legal action may be brought in any state or federal court or in any other forum against any individual signatory representing the interests of the Parties, attorneys representing the Parties, or the Parties themselves involving any matter related to this Stipulation. All rights and remedies of the Parties are limited to those available before the Commission.

2.0 Cost of Money and Capital Structure

ORA accepts SCWC's forecasted capital structure of 50% debt and 50% equity. ORA also accept SCWC's proposed cost of debt: 7.63% in 2004, 7.60% in 2005 and 7.58% in 2006. SCWC proposed an authorized cost of equity of 11.75% and ORA proposed an authorized cost of equity of 9.30%. After settlement discussions the Parties agree to an authorized cost of equity of 9.90%, which was adopted in SCWC's most recent GRC decision D.04-03-039 on March 16, 2004. The settlement results in a stipulated authorized return on ratebase of 8.77% in 2004, 8.75% in 2005 and 8.74% in 2006.

	<u>SCWC</u>	<u>ORA</u>	<u>Stipulation</u>
Cost of Equity	11.75%	9.30%	9.90%

Stipulated Cost of Capital

<u>2004</u>	<u>Capital Structure</u>	<u>Cost Factor</u>	<u>Weighted Cost</u>
Debt	50.00%	7.63%	3.82%
Equity	50.00%	9.90%	4.95%
Total	100.00%		8.77%

<u>2005</u>	<u>Capital Structure</u>	<u>Cost Factor</u>	<u>Weighted Cost</u>
Debt	50.00%	7.60%	3.80%
Equity	50.00%	9.90%	4.95%
Total	100.00%		8.75%

<u>2006</u>	<u>Capital Structure</u>	<u>Cost Factor</u>	<u>Weighted Cost</u>
Debt	50.00%	7.58%	3.79%
Equity	50.00%	9.90%	4.95%
Total	100.00%		8.74%

3.00 Plant

- 3.01 Below is the capital budget for the Region II Headquarters, and Metropolitan Customer Service Areas. (CSA). The tables include SCWC's estimate, ORA's estimate, and the result of further discussions by the Parties for the years 2003, 2004, and 2005. Attached as Appendix B are the details (including a 23.75% overhead rate) of the following stipulated capital budgets.

Capital Budgets

Regional II Headquarters	<u>SCWC</u>	<u>ORA</u>	<u>Stipulated</u>
2003	\$159,100	\$102,900	\$133,100
2004	\$172,500	\$106,300	\$137,560
2005	\$179,100	\$114,400	\$141,210

Metropolitan	<u>SCWC</u>	<u>ORA</u>	<u>Stipulated</u>
2003	\$30,986,800	\$16,027,700	\$10,036,210
2004	\$30,802,600	\$27,594,809	\$37,087,861
2005	\$32,484,100	\$26,172,800	\$26,406,140

- 3.02 SCWC and ORA agree upon a forecast of \$27,217,710 in 2003, \$44,272,581 in 2004 and \$26,547,350 in 2005 for total capital additions for rate making purposes (see Appendix B).
- 3.03 Charnock Basin Facilities – The Commission has approved the sale of SCWC's Charnock facilities in Commission Decision 03-05-001. SCWC and ORA agree to remove from rate base the net book value of \$523,671 due to the pending sale of SCWC's Charnock Facilities to the City of Santa Monica. SCWC has reflected this reduction in sections 3.01 and 3.02 of this Stipulation.
- 3.04 Advice Letter Projects - Due to lead-time required and cost variability, ORA and SCWC agree that SCWC is authorized to file four advice letters seeking authorization to include in rate base, upon completion, the actual costs of the plant additions set forth herein and to receive a corresponding rate adjustment for the additional rate base. Secondly the parties agree that the final decision should contain an ordering paragraph authorizing each advice letter. Thirdly the parties agree that these advice letter projects will include an overhead rate of 23.75% rather than 25% as originally filed by SCWC and that the advice letter recovery will be capped at the stipulated amount shown below.

	<u>SCWC</u>	<u>ORA</u>	<u>Stipulated</u>
Metropolitan CSA			
1. Perham - New Site	\$1,500,000	\$1,500,000	\$1,500,00
- Electrical Upgrade	<u>\$197,800</u>	0	<u>\$197,800</u>
	\$1,697,800		\$1,697,800
2. Southwest CSA Office	\$298,100	\$298,100	\$298,100
Relocation Capital Improvements			
3. Budlong - Demolish existing tanks and construct two new 1.5 MG Reservoirs w/ site improvements	\$1,839,500	0	\$1,839,500
4. Central District Office	\$400,000	\$400,000	\$400,000
Relocation Capital Improvements			

- 3.05 Depreciation Accrual Rates -- SCWC and ORA used the same methodology and depreciation accrual rates to forecast plant depreciation. Listed below are the composite accrual rates used to estimate plant depreciation.

	<u>SCWC</u>	<u>ORA</u>	<u>Stipulated</u>
Metropolitan	3.08%	3.08%	3.08%

- 3.06 Region II Security Plan – Decision 04-03-039 authorizes the Region III portion of SCWC's Security Plan. ORA and SCWC agree to the inclusion of Region II's portion of the Security Plan subject to the same conditions as imposed in Decision 04-03-039 as stated on page 80. SCWC must be able to demonstrate the reasonableness of the completed elements of the security plan at any time in the future. As such, the Company is at risk for cost recovery for completed elements of the plan on a prospective basis.

4.00 Sales

- 4.01 Customers (Connections) -- SCWC used regression analysis to estimate customer growth within the CSA. In ORA's report ORA agreed with SCWC's estimates of the number of customers. The number of customers by class is as follows:

Metropolitan CSA		
<u>Customer Class</u>	<u>2004</u>	<u>2005</u>
Commercial	96,802	97,101
Industrial	258	259
Public Auth.	687	689
Irrigation	57	57
Resale	0	0

Contract	37	37
Other	7	7
Private Fire	1,620	1,625
Total	99,468	99,775

- 4.02 Sales per Customer -- SCWC used regression analysis to forecast commercial sales per customer and 5-year historical averages to estimate sales per customer in all other customer classes. ORA agreed to the usage for all customer classes except for commercial customers. ORA used the monthly Modified Bean Method to forecast commercial usage while SCWC used the Econometric Method with additional independent variables. After settlement discussions the Parties agree to the following stipulated sales per customer for 2004 and 2005.

<u>Metropolitan Customer Class</u>	<u>SCWC</u>	<u>ORA</u>	<u>Stipulated</u>
Commercial	267.3	280.9	274.0
Industrial	2,965.0	2,965.0	2,965.0
Public Auth.	2,462.8	2,462.8	2,462.8
Irrigation	808.2	808.2	808.2
Resale	0	0	0
Contract	7,054.4	7,054.4	7,054.4
Other	801.6	801.6	801.6
Private Fire	0.0	0.0	0.0

5.00 Labor

- 5.01 District Labor -- SCWC's forecast for total labor was based on its current organizational structure, actual payroll, using twelve months' recorded ratios of expense to capital. Added to this base was inflation, overtime, increases for merit, overhead to account for the clearing of miscellaneous tools and stand-by and call-out pay to derive the forecast for the Test Years. ORA used a variety of averages of historical labor expenses with different averages used between the three labor expense categories (operations, maintenance and A&G) and then applied an inflationary increase.

To resolve the differences, SCWC and ORA agree to use consistent averages of the three historical labor expense categories plus inflation. The parties accept the current organizational structure as reasonable. In settlement ORA also agreed to include an additional \$124,400 and \$127,900 in 2004 and 2005 respectively to reflect the increased overtime that SCWC has experienced due to increased federal security alerts

between February 2003 and January 2004, that is not otherwise reflected in historical data. SCWC had originally proposed to recover these and additional costs in a Security Alert Memorandum Account (see paragraph 11.04). The Parties agree to the following estimates for 2004 and 2005:

2004

<u>CSA</u>	<u>SCWC</u>	<u>ORA</u>	<u>Stipulated</u>
Metropolitan CSAs			
Operations	\$2,309,200	\$1,924,000	\$2,133,700
Maintenance	\$1,084,400	\$1,032,200	\$1,116,200
A&G	\$562,600	\$504,900	\$544,400
Total	\$3,956,200	\$3,461,100	\$3,794,300
Region 2 HQ			
Operations	\$27,300	\$3,000	\$7,600
Maintenance	\$0	\$0	\$0
A&G	\$648,600	\$580,500	\$598,100
Total	\$675,900	\$583,500	\$605,700
Central District			
Operations	\$51,400	\$41,000	\$42,200
Maintenance	\$23,700	\$20,500	\$21,100
A&G	\$366,600	\$256,600	\$347,000
Total	\$441,700	\$318,100	\$410,300
Southwest District			
Operations	\$70,000	\$72,000	\$108,900
Maintenance	\$28,600	\$24,300	\$47,900
A&G	\$290,800	\$210,000	\$218,500
Total	\$389,400	\$306,300	\$375,300
Region Total			
Operations	\$2,457,900	\$2,040,000	\$2,292,400
Maintenance	\$1,136,700	\$1,077,000	\$1,185,200
A&G	\$1,868,600	\$1,552,000	\$1,708,000
Total	\$5,463,200	\$4,669,000	\$5,185,600

2005

<u>CSA</u>	<u>SCWC</u>	<u>ORA</u>	<u>Stipulated</u>
Metropolitan CSAs			
Operations	\$2,380,700	\$1,947,000	\$2,184,300
Maintenance	\$1,118,000	\$1,048,800	\$1,142,700

A&G	\$580,000	\$511,000	\$557,400
Total	\$4,078,700	\$3,506,800	\$3,884,400
Region 2 HQ			
Operations	\$28,100	\$3,000	\$7,800
Maintenance	\$0	\$0	\$0
A&G	\$668,100	\$587,400	\$612,200
Total	\$696,200	\$590,400	\$620,000
Central District			
Operations	\$53,000	\$41,400	\$43,200
Maintenance	\$24,400	\$20,700	\$21,600
A&G	\$377,600	\$260,000	\$355,200
Total	\$455,000	\$322,100	\$420,000
Southwest District			
Operations	\$72,100	\$72,800	\$111,500
Maintenance	\$29,400	\$24,600	\$49,100
A&G	\$299,600	\$212,300	\$223,700
Total	\$401,100	\$309,700	\$384,200
Total			
Operations	\$2,533,900	\$2,064,200	\$2,346,800
Maintenance	\$1,171,800	\$1,094,100	\$1,213,300
A&G	\$1,925,300	\$1,570,700	\$1,748,500
Total	\$5,631,000	\$4,729,000	\$5,308,600

6.00 Administrative and General Expenses

6.01 Total A&G Expenses -- To estimate Total A&G expenses, SCWC used a 2003 zero-based budget, while ORA used 2001 as a "normalized" reference baseline and used the lower of SCWC's 2001 or 2002 recorded expenses. Next ORA applied an inflationary factor to each succeeding year to determine the 2004 and 2005 test years' amounts. The parties agree to use the lower of estimates derived from either a four-year average of recorded expenses (1999 – 2002) or SCWC's forecasted dollars for 2003. Both parties agree to use the derived 2003 estimate and apply the established inflation factors discussed in paragraph 10.02 to derive the 2004 and 2005 expenses. Both parties agree that the stipulated dollars are reasonable:

	2004		
	<u>CSA</u>	<u>SCWC</u>	<u>ORA</u>
Metropolitan CSAs	\$14,250,200	\$12,357,600	\$13,176,700
Region 2 HQ	\$1,224,300	\$645,200	\$903,300
Central District	\$1,047,800	\$679,500	\$809,200

Southwest District	\$729,800	\$581,500	\$668,300
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2005

<u>CSA</u>	<u>SCWC</u>	<u>ORA</u>	<u>Stipulated</u>
Metropolitan CSAs	\$14,620,000	\$12,565,800	\$13,507,300
Region 2 HQ	\$1,279,000	\$661,600	\$925,400
Central District	\$1,075,700	\$696,800	\$827,400
Southwest District	\$751,300	\$596,300	\$684,700

6.02

Office Supplies and Expenses -- To estimate expenditures for Office Supplies and Expenses, SCWC used a 2003 zero-based budget, while ORA used 2001 as a "normalized" reference baseline and used the lower of SCWC's 2001 or 2002 recorded expenses. Next ORA applied an inflationary factor to each succeeding year to determine the 2004 and 2005 test years' amounts. The parties agree to use the lower of estimates derived from either a four-year average of recorded expenses (1999 – 2002) or SCWC's forecasted dollars for 2003. Both parties agree to use the derived 2003 estimate and apply the established inflation factors discussed in paragraph 10.02 to derive the 2004 and 2005 expenses. Both parties agree that the stipulated dollars are reasonable:

2004

<u>CSA</u>	<u>SCWC</u>	<u>ORA</u>	<u>Stipulated</u>
Metropolitan CSAs	\$238,800	\$140,100	\$237,900
Region 2 HQ	\$197,100	\$171,250	\$198,000
Central District	\$56,900	\$68,400	\$57,200
Southwest District	\$117,700	\$108,600	\$111,500
Total	\$610,500	\$488,350	\$604,600

2005

<u>CSA</u>	<u>SCWC</u>	<u>ORA</u>	<u>Stipulated</u>
Metropolitan CSAs	\$245,600	\$143,600	\$244,100
Region 2 HQ	\$202,800	\$175,600	\$203,100
Central District	\$58,600	\$70,100	\$58,700
Southwest District	\$121,100	\$111,400	\$114,400
Total	\$628,100	\$500,700	\$620,300

6.03

Pensions and Benefits - To estimate expenditures for Pensions and Benefits, SCWC used a 2003 zero-based budget, while ORA used a "normalized" 2001 baseline of recorded expenses and applied non-labor

inflation. The parties agree to use the lower of estimates derived from either a four-year average of recorded expenses (1999 – 2002) or SCWC's forecasted dollars for 2003. Both parties agree to use the derived 2003 estimate and apply the established inflation factors discussed in paragraph 10.02 to derive the 2004 and 2005 expenses. Both parties agree that the stipulated dollars are reasonable:

2004

<u>CSA</u>	<u>SCWC</u>	<u>ORA</u>	<u>Stipulated</u>
Metropolitan CSAs	\$27,400	\$12,000	\$27,500
Region 2 HQ	\$51,500	\$19,500	\$49,700
Central District	\$11,300	\$3,520	\$11,200
Southwest District	\$13,700	\$12,160	\$13,800
Total	\$103,900	\$47,180	\$102,200

2005

<u>CSA</u>	<u>SCWC</u>	<u>ORA</u>	<u>Stipulated</u>
Metropolitan CSAs	\$28,200	\$12,300	\$28,300
Region 2 HQ	\$53,000	\$20,460	\$51,000
Central District	\$11,600	\$3,610	\$11,500
Southwest District	\$14,100	\$12,470	\$14,200
Total	\$106,900	\$48,840	\$105,000

6.04

Outside Services - To estimate expenditures for Outside Services, SCWC used a 2003 zero-based budget. ORA agreed with SCWC's 2004 and 2005 Outside Services estimates for the Metropolitan CSA. In the remaining areas, ORA used 2001-recorded expenses and applied a non-labor inflation factor to derive their estimates. The parties agree to the lower of estimates derived from either a four-year average of recorded expenses or SCWC's forecasted dollars for 2003. Both parties agree to use the derived 2003 estimate and apply the established inflation factors discussed in paragraph 10.02 to derive the 2004 and 2005 expenses.

2004

<u>CSA</u>	<u>SCWC</u>	<u>ORA</u>	<u>Stipulated</u>
Metropolitan CSAs	\$317,800	\$317,800	\$319,700
Region 2 HQ *	\$313,700	\$21,700	\$37,000
Central District *	\$305,600	\$63,480	\$105,600
Southwest District	\$89,600	\$49,290	\$48,300
Total	\$1,026,700	\$452,270	\$508,700

2005

<u>CSA</u>	<u>SCWC</u>	<u>ORA</u>	<u>Stipulated</u>
Metropolitan CSAs	\$326,900	\$326,900	\$328,000
Region 2 HQ *	\$322,600	\$22,320	\$38,000
Central District *	\$314,400	\$65,100	\$108,400
Southwest District	\$92,200	\$50,550	\$49,600
Total	\$1,056,100	\$464,870	\$522,900

* Balances reflect the removal of expenses associated with defending SCWC water supply in the Central and West Basin

Additionally the Parties agree that the differential between the stipulated dollars for Outside Services and SCWC's forecast, shown below, shall be recovered in a memorandum account.

SCWC may file an advice letter to modify its preliminary statements to capture in the memorandum account an amount up to but not to exceed \$476,600, \$490,600, and \$501,600 in the years 2004, 2005, and 2006 respectively.

The memo account shall include costs associated with efforts relating to the water supply in the Central and West Basin Metropolitan Water Districts as contained in the **Memorandum Account Description** below.

The Parties agree that rather than include these forecasted expenses in the test years, SCWC will be allowed an interest bearing memorandum account which will be recovered through an advice letter that can be filed on an annual basis:

2004

<u>CSA</u>	<u>SCWC</u>	<u>Stipulated</u>	<u>Differential</u>
Region 2 HQ	\$313,700	\$37,000	\$276,600
Central District	\$305,600	\$105,600	\$200,000
Total	\$619,300	\$142,600	\$476,600

2005

<u>CSA</u>	<u>SCWC</u>	<u>Stipulated</u>	<u>Differential</u>
Region 2 HQ	\$322,600	\$38,000	\$284,600
Central District	\$314,400	\$108,400	\$206,000
Total	\$637,000	\$146,400	\$490,600

2006

<u>CSA</u>	<u>SCWC</u>	<u>ORA</u>	<u>Differential</u>
Region 2 HQ	\$329,800	\$38,800	\$291,000
Central District	\$321,400	\$110,800	\$210,600
Total	\$651,100	\$149,700	\$501,600

Memorandum Account Description - Due to the magnitude of these costs and the possibility that these expenses may even exceed these amounts, SCWC and ORA agree that rather than including these costs in SCWC's revenue requirement at this time, that the ongoing annual costs identified below shall be captured in an interest bearing memorandum account and shall be recovered through an advice letter that can be filed annually:

1. Annual Issues (Ongoing): Costs associated with working with public agencies on water supply reliability and rate issues – Water Replenishment District (WRD) and WRD Technical Advisory Committee, Central and West Basin Municipal Water Districts, Metropolitan Water District, West Basin Water Association and Central Basin Water Association:

- a. Prepare for and attend Agency and Association meetings and hearings including committee meetings (e.g., finance committee, water resources, administrative, inter-agency and other committees)
- b. Review and respond to board and committee memoranda
- c. Meetings with stakeholders re: same including area cities and water rights holders, local elected officials, water board members, utilities and industry
- d. Provide public testimony as needed
- e. Legal and policy research to defend and support positions to protect ratepayers
- f. Identify, analyze, and propose statutory changes to defend and support positions to protect ratepayers; attend meetings and hearings, including committee meetings, as needed.

- g. Legal research and other actions including employment of experts to defend against any legislation that has a negative impact on rates, water supply reliability or water rights affecting ratepayers

2. Settlement Issues: Conjunctive Use Working Group (CUWG)
Settlement negotiations and potential litigation to resolve disputes over long-term storage costs.

- a. Prepare for and attend CUWG meetings
- b. Prepare for and attend related Institutional Work Group
- c. Prepare for and attend related Technical Work Group
- d. Preparation includes:
 - Review and preparation of legal documents
 - Review of technical documents
 - Meetings with technical staff and experts
 - Review and respond to various settlement approaches
 - Legal research to support and defend positions
 - Policy research to support and defend positions
- e. Legal research re: potential litigation to protect ratepayers' long term storage costs
- f. Identify, analyze, defend and propose statutory changes to protect long term storage benefits to ratepayers
- g. Draft pleadings and other court documents re: same
- h. Prepare for and attend meetings with potential litigants
- i. Conduct discovery and file motions
- j. Employ expert witnesses as necessary

6.05

Other Maintenance of General Plant Expenses -- To estimate expenditures for Other Maintenance of General Plant, SCWC used a 2003 zero-based budget. ORA's estimates were based on a "normalized" baseline to which an inflationary factor was applied in order to generate the 2004 and 2005 test-year estimates. The parties agree to use the lower of estimates derived from either a four-year average of recorded expenses or SCWC's forecasted dollars for 2003. Both parties agree to use the derived 2003 estimate and apply the established inflation factors discussed in paragraph 10.02 to derive the 2004 and 2005 expenses.

2004

<u>CSA</u>	<u>SCWC</u>	<u>ORA</u>	<u>Stipulated</u>
Metropolitan CSAs	\$73,000	\$20,800	\$73,400
Region 2 HQ	\$11,200	\$14,400	\$11,300
Central District	\$14,100	\$9,180	\$14,100
Southwest District	\$7,000	\$5,010	\$7,000
Total	\$105,300	\$49,300	\$105,700

2005

<u>CSA</u>	<u>SCWC</u>	<u>ORA</u>	<u>Stipulated</u>
Metropolitan CSAs	\$75,100	\$21,300	\$75,300
Region 2 HQ	\$11,500	\$14,770	\$11,600
Central District	\$14,500	\$9,410	\$14,500
Southwest District	\$7,200	\$5,140	\$7,200
Total	\$108,300	\$50,620	\$108,600

6.06

Allocated Expenses of General Office, Common Customer Accounts, Region and District Offices – SCWC allocated the General Office's - Common Customer Account, Region 2 Headquarters, Central District Office, and Southwest District Office expenses to each CSA based on the updated "Revised Four-Factor." SCWC and ORA agree to use the updated allocation percentages that SCWC proposed in this case. ORA and SCWC agree to use the actual dollars recorded in the Region 3 - General Office - Proposed Decision. SCWC and ORA agree to estimates for allocation of the Region 2 Headquarters, Central District Office and Southwest District Office to each CSA. The allocations are shown in Appendix A (Summary of Earnings). The 2004 increases over the 2003 estimates were due to the application of the appropriate labor and non-labor inflation factors for 2004 to the 2003 expenses. SCWC and ORA agree to the following estimates for allocation of the Region 2 Office, Central District, and Southwest District Offices to each CSA for 2004 and 2005. Both parties agree that the stipulated dollars are reasonable.

Allocated General Office Expenses – Common Customer Account
(Account 77300)

2004

<u>CSA</u>	<u>SCWC</u>	<u>ORA</u>	<u>Stipulated</u>
General Office	\$1,217,300	\$1,084,700	\$1,127,600

2005

<u>CSA</u>	<u>SCWC</u>	<u>ORA</u>	<u>Stipulated</u>
General Office	\$1,245,300	\$1,100,320	\$1,156,900

Allocated General Office Expenses (Account 79910)
2004

<u>CSA</u>	<u>SCWC</u>	<u>ORA</u>	<u>Stipulated</u>
General Office	\$9,577,000	\$8,680,100	\$9,004,100

2005

<u>CSA</u>	<u>SCWC</u>	<u>ORA</u>	<u>Stipulated</u>
General Office	\$9,797,300	\$8,805,093	\$9,238,200

Allocated Region 2 Headquarter Office Expenses (Account 79910)
2004

<u>CSA</u>	<u>SCWC</u>	<u>ORA</u>	<u>Stipulated</u>
Region 2 HQ	\$1,224,300	\$645,200	\$1,040,100

2005

<u>CSA</u>	<u>SCWC</u>	<u>ORA</u>	<u>Stipulated</u>
Region 2 HQ	\$1,279,000	\$661,600	\$1,064,700

Allocated Central District Office (Account 79910)
2004

<u>CSA</u>	<u>SCWC</u>	<u>ORA</u>	<u>Stipulated</u>
Central District	\$1,047,800	\$679,500	\$809,200

2005

<u>CSA</u>	<u>SCWC</u>	<u>ORA</u>	<u>Stipulated</u>
Central District	\$1,075,700	\$696,800	\$827,400

Allocated Southwest District Office (Account 79910)
2004

<u>CSA</u>	<u>SCWC</u>	<u>ORA</u>	<u>Stipulated</u>
Southwest District	\$729,800	\$581,500	\$668,300

2005

<u>CSA</u>	<u>SCWC</u>	<u>ORA</u>	<u>Stipulated</u>
Southwest District	\$751,100	\$596,300	\$684,700

7.00 Operations and Maintenance

7.01 Other Operation Expenses – To estimate expenditures for Other Operations Expenses in Region 2, ORA and SCWC used the same methodology using a 5-year average of historical expenses converted to 2002 constant dollars, plus known fees, plus inflation to forecast other operation expenses. The differences were due to using inflation factors from different months. 2004 and 2005 estimates may be higher than those proposed by SCWC and ORA. This is due to the use of the most current inflation factors being applied to the 2003 dollars from the PD. SCWC and ORA agree to this methodology and to use the derived estimates for 2003 with the established inflation factors discussed in paragraph 10.02 to calculate the 2004 and 2005 expenses. Both parties agree that the stipulated dollars are reasonable:

2004

<u>CSA</u>	<u>SCWC</u>	<u>ORA</u>	<u>Stipulated</u>
Metropolitan CSAs	\$1,462,900	\$1,428,700	\$1,477,700
Region 2 HQ	\$45,900	\$45,900	\$46,100
Central District	\$26,800	\$26,800	\$26,900
Southwest District	\$24,000	\$24,000	\$24,100
Total	\$1,559,600	\$1,525,400	\$1,574,800

2005

<u>CSA</u>	<u>SCWC</u>	<u>ORA</u>	<u>Stipulated</u>
Metropolitan CSAs	\$1,499,000	\$1,433,500	\$1,510,800
Region 2 HQ	\$47,200	\$47,200	\$47,300
Central District	\$27,600	\$27,600	\$27,600
Southwest District	\$24,700	\$24,700	\$24,800
Total	\$1,598,500	\$1,533,000	\$1,610,500

7.02

Other Maintenance Expenses – To estimate expenditures for Other Maintenance Expense in Region 2, SCWC used a five-year average of historical expenses converted to 2002 constant dollars plus inflation, then added non-scheduled and emergency repairs to mains & services, plus planned maintenance work orders for the test years. ORA used a similar methodology of using a 5-year average of historical other maintenance expenses converted to 2002 constant dollars, plus a 4-year average of historical maintenance work orders, plus inflation. The Parties agree to use a 5-year average of historical other maintenance expenses converted to 2002 constant dollars, then add non-scheduled and emergency repairs to mains & services, plus a 4-year average of historical scheduled maintenance work orders converted to 2002 constant dollars to derive a 2003 estimate. Established inflation factors discussed in paragraph 10.02 were then applied to the 2003 estimate to derive the 2004 and 2005 expenses. Both parties agree that the stipulated dollars are reasonable:

2004

<u>CSA</u>	<u>SCWC</u>	<u>ORA</u>	<u>Stipulated</u>
Metropolitan CSAs	\$4,166,900	\$2,849,900	\$3,436,900
Region 2 HQ	\$0	\$0	\$0
Central District	\$0	\$0	\$0
Southwest District	\$0	\$0	\$0
Total	\$4,166,900	\$2,849,900	\$3,436,900

2005

<u>CSA</u>	<u>SCWC</u>	<u>ORA</u>	<u>Stipulated</u>
Metropolitan CSAs	\$4,424,300	\$2,887,300	\$3,526,200
Region 2 HQ	\$0	\$0	\$0
Central District	\$0	\$0	\$0
Southwest District	\$0	\$0	\$0
Total	\$4,424,300	\$2,887,300	\$3,526,200

8.00

Other Taxes

8.01

Property Taxes – SCWC used a five-year average of property tax expenses divided by the five-year average of utility plant in service to derive the property tax rates. ORA took both the average of the percentage changes in plant and property taxes over the total five-year period used by SCWC and the average of the percentages between each successive year of the five years to determine their estimates. SCWC and ORA agree to use the latest recorded year percent tax to plant (2002) as the property tax rates for use in both of the test years. Both parties agree that the methodology and stipulated percentage is reasonable:

<u>CSA</u>	<u>SCWC</u>	<u>ORA</u>	<u>Stipulated</u>
Metropolitan	0.89%	0.79%	0.82%

9.00 Supply

- 9.01 Sources -- A combination of historical usage, expected developments, and constraints on the systems were analyzed to determine the level of well production and use of surface water. Any additional requirement would be calculated using the composite supply mix ratios adopted in this proceeding. The Parties agree to the supply mix volumes for 2004 and 2005. ORA used the latest three-year average (2001-2003) recorded to forecast well production while SCWC used the latest five-year average (1998-2002) of recorded data, taking into consideration the current wells status within the district. Set forth below is the stipulated supply mix for 2004 and 2005.

2004

Metropolitan CSA	<u>SCWC</u>	<u>ORA</u>	<u>Stipulated</u>
Well Production	13,713.4	14,842.3	14,600.0
Purchased	16,413.7	16,599.3	16,209.2

2005

Metropolitan CSA	<u>SCWC</u>	<u>ORA</u>	<u>Stipulated</u>
Well Production	13,713.4	14,842.3	14,600.0
Purchased	16,506.0	16,695.7	16,303.6

- 9.02 Sales Volume – SCWC and ORA agree to specific sales volumes for all customer classes. Set forth below is the stipulated sales volumes for 2004 and 2005.

2004

Metropolitan CSA	<u>SCWC</u>	<u>ORA</u>	<u>Stipulated</u>
<u>Customer Class</u>			
Commercial	25,875,175	27,189,746	26,523,748
Industrial	764,970	764,970	764,970
Public Auth.	1,691,944	1,691,944	1,691,944
Irrigation	46,067	46,067	46,067
Resale	0	0	0
Contract	261,013	261,013	261,013
Other	5,611	5,611	5,611
Private Fire	0	0	0
Total Sales	28,644,780	29,959,351	29,293,353

2005

Metropolitan CSA	<u>SCWC</u>	<u>ORA</u>	<u>Stipulated</u>
<u>Customer Class</u>			
Commercial	25,955,097	27,273,729	26,605,674
Industrial	767,935	767,935,	767,935
Public Auth.	1,696,869	1,696,869	1,696,869
Irrigation	46,067	46,067	46,067
Resale	0	0	0
Contract	261,013	261,013	261,013
Other	5,611	5,611	5,611
Private Fire	0	0	0
Total Sales	28,732,593	30,051,224	29,383,170

9.03

Supply Cost -- Purchased Water – The Parties agree to use SCWC's methodology to forecast purchased water costs. The latest available rates prior to producing the final decision tables would be used as referenced in paragraph 10.03. The main difference between SCWC's forecast and ORA's forecast of expenses associated with purchased water are attributable to differences in the Parties' projection of sales and ORA's exclusion of the second test year inflation factor.

Purchased Energy - After the filing of SCWC's application, Southern California Edison Company (Edison), SCWC's energy provider, modified the structure of their electric tariffs. Edison's tariff rate for bundled service includes two components: Delivery Service and Generation (or Energy Charge). The energy charge component of Edison's tariff is based on a weighted average of the cost of power provided by Edison's own Utility Retained Generation (URG) and the cost of power provided by the California Department of Water Resources (DWR). Edison's tariff schedules indicate the full cost of both URG and DWR power. The Energy Charge on SCWC's monthly bill in any month is based on the actual mix of URG and DWR power in that billing month. Consequently, the Energy Charge component of the bill will fluctuate monthly based on Edison's operations. For the purpose of this Application, SCWC and ORA agree that SCWC will base its purchased energy cost on an assumed ratio of 55% URG power and 45% DWR power. At the end of each year, SCWC will calculate the actual mix of URG and DWR power based on Edison billing data. Any differences between the actual mix and the assumed mix of 55/45 will be recorded in the Supply Cost Balancing-Type Memorandum Account.

Pump Tax – The Parties agree to use SCWC's methodology to forecast pump tax costs. The latest available rates prior to producing the final decision tables would be used as referenced in paragraph 10.03. The

differences between SCWC's forecast and ORA's forecast of expenses associated with pump taxes are attributable to differences in the Parties' projection of sales and wells production.

- 9.04 Chemicals -- The Parties agree to use ORA's chemical unit cost per KCcf to forecast chemical costs. The differences between SCWC's forecast and ORA's forecast of chemicals are attributable to differences in the Parties' projection of sales and supply mix. The Parties agree to estimate chemical costs for the Test Years based on average recorded, inflated with the latest available weighted non-labor inflation factor. Set forth below are the chemical unit costs for 2004 and 2005:

2004			
<u>CSA</u>	<u>SCWC</u>	<u>ORA</u>	<u>Stipulated</u>
Metropolitan CSAs	\$17.20	\$14.91	\$14.89
2005			
<u>CSA</u>	<u>SCWC</u>	<u>ORA</u>	<u>Stipulated</u>
Metropolitan CSAs	\$17.69	\$15.15	\$15.28

- 9.05 Unaccounted Water and Water Used in Operation -- SCWC used a 5-year average percentage of unaccounted Water and Used in Operation water for 1998 to 2002. ORA agreed with SCWC's methodology and forecast:

<u>CSA</u>	<u>Unaccounted For</u>	<u>Used in Operations</u>	<u>Total</u>
Metropolitan	3.11%	1.81%	4.92%

10.00 **Common Issues**

- 10.01 Inflation – The Parties stipulate that the adopted inflation may be the latest available prior to signing the Stipulation unless significant changes occur prior to the decision tables being prepared.
- 10.02 Established Factors – The Parties agree that the Established Factors should be split 60/40 between 1) the Non-Labor Index and 2) the Compensation Per Hour Index (both of which are published in a memo from ORA's Energy Cost of Service Branch to Office of Ratepayer Advocates and Water Division on a monthly basis).

10.03 Rates Charged for Purchased Water, Purchased Power and Pump Tax --
The Parties agree that for 2004 and 2005 the latest available rates prior to developing the decision tables will be used to calculate supply expenses in the final decision.

11.00 Other Issues

11.01 Water Quality OII Expense Amortization - In March 1998 the Commission issued an OII to determine whether existing standards and policies (regarding drinking water quality) adequately protect the public health. In the meantime, the Commission issued Resolution W-4089, W-4094 and W-4257 in 1998 authorizing the establishment of memorandum accounts for the OII and water quality litigation expenses. In application A.02-11-007, in addition to this application, SCWC requested the amortization of the Water Quality OII Expense Memorandum Account. While ORA took no position on this issue in their Staff Report in this application, Commission Decision 04-03-039 in A.02-11-007 dated March 16, 2004, authorized the current balance of \$1,057,999 to be amortized over 1 year. With water quality litigation still proceeding the parties agree to keep this memo account open but there is no need to modify the current amortization rate in this proceeding.

11.02 Compliance with Water Quality Requirements – As mentioned above, in March 1998 the commission issued an OII to determine whether existing standards and policies (regarding drinking water quality) adequately protect the public health. A final decision on the OII from the Commission issued on November 2, 2000 concluded that the California Department of Heath Services requirements governing drinking water quality adequately protect public heath and safety and that SCWC had satisfactorily complied with past and present drinking water quality requirements. ORA concurs with SCWC that the Commission make a finding that the district water quality meets all state and federal drinking water standards and the provisions of General Order 103.

11.03 Reclaimed Water (ME-3) Rate Structure - SCWC proposed to increase the reclaimed water tariff (ME-3) so that the service charge would be the same as for the General Metered Tariff (ME-1) and the quantity rate would be 80% of the ME-1 tariff. ORA did not oppose this proposal in their report. At the City of Carson Public Participation Meeting that was held on February 24, 2004, Central and West Basin Municipal Water Districts' (Districts') read into the record a letter from General Manager Mr. Darryl G. Miller expressing the Districts' concern about the proposed ME-3 rates and charges. SCWC was asked by Administrative Law Judge Vieth to make a clear showing of its costs to serve 43 recycled water customers out of its approximately 100,000-customer base in the Metropolitan District. The time required to produce a cost of service study would not be an efficient use of ratepayer money and would still result in controversial

assumptions of cost allocation. Therefore SCWC and the Districts' have worked together to arrive at a reasonable alternative which SCWC and ORA have agreed to:

A target commodity rate of 70% of potable rates for ME-3 has been established which SCWC will phase in over the next six (6) years (two GRC rate cycles). The following steps would accomplish the target:

1. Identify the estimated ME-1 tariff in 2009. This would be achieved by inflating both the 2006 quantity rate and the service charges, based on the settlement position, by 7% each year to derive the 2009 estimated tariff. A 7% average rate increase was used as an estimate of what the increases might be in the next GRC cycle.
2. Calculate 70% of each component of the estimated 2009 ME-1 tariff. This is the estimated 2009 ME-3 tariff.
3. Identify the annual percentage increase required to increase each component of the ME-3 tariff from the present rate (prior to the interim rate increase) to the estimated 2009 level.
4. Apply the annual percentages to each of the tariff components to derive the tariff for each of the years in this GRC cycle.

Since the rate increases beyond this rate cycle are estimated, this exercise would be recalculated when SCWC files its next Metropolitan District GRC in 2006. This would be done to accomplish the target tariff of 70% of the ME-1 tariff by 2009.

Based on the process described above, recycled water commodity rates are projected to increase approximately 10-percent per year over the next six (6) years and recycled water meter charges are projected to increase approximately 28-percent per year over the next six (6) years.

11.04 Security Alert Memorandum Account (SAMA) – SCWC proposed a Security Alert Memorandum Account (SAMA) to track costs SCWC incurs above and beyond their normal operating costs when the Federal government issues a Level Orange or Level Red Security Alert. ORA did not address the establishment of such memorandum in their report specifically, but rather agreed to include \$124,400 of additional overtime in 2004 and \$127,900 in 2005 (see paragraph 5.01) to cover possible costs in the test years due to increased federal security alert levels. During the period of February 2003 to January 2004 SCWC incurred overtime costs of \$124,400 due to federal government Level Orange security alerts.

11.05 CARW – Due to the timing of this filing SCWC did not include recovery of

CARW related costs in its application. SCWC's experience with this program has determined that the program is still new and participation erratic. SCWC has not reached a level of comfort where the memorandum account should be eliminated and costs of the program forecasted for the test years. SCWC and ORA agree to continue to capture the program costs in a memorandum account and defer this issue to the next rate cycle. Additionally, ORA has expressed interest in developing an industry wide approach. Deferring this issue to the next GRC will allow ORA to determine if it will pursue an industry wide methodology.

11.06 Proforma Earnings Test – ORA proposed a change to the Proforma Earnings Test methodology. This issue was litigated in A. 02-11-007 The Commission denied a change in methodology, "This decision denies ORA's request and concludes that the issue would be more appropriately addressed in a generic proceeding where all affected utilities could participate". Additionally, the Earnings Test is a component of an ongoing OIR R.03-09-005. SCWC and ORA are in agreement to use the outcome of A.02-11-007 until a final outcome is reached in R.03-09-005.

11.07 Water Quality Memorandum Accounts – In paragraph 3 of the Prayer of SCWC's Application which has been supported by both James D. Carson's prefiled testimony and William C. Gedney's Rebuttal testimony (Mr. Gedney has replaced Mr. Carson), SCWC requested the Commission grant SCWC authority to create water quality memorandum accounts to record the compliance costs for new or revised Federal Environmental Protection Agency and/or State Department of Health Services' rules. Subsequent to the filing of this application, Commission Decision 04-03-039 in A.02-11-007 authorized SCWC to establish memorandum accounts for compliance costs for five specific contaminants referenced by SCWC in both proceedings as examples. SCWC and ORA agree that the Commission should apply Decision 04-03-039 as it relates to Water Quality Memorandum Accounts to any new or changed rule or contaminant level by the EPA or DOHS.

11.08 Ordering Paragraph - ORA and SCWC agree that this document reflects a significant effort by both parties to resolve differences and stipulate on all issues. The Parties agree that SCWC is entitled to all of the components contained in this Stipulation and that to the extent the Stipulation remains unchanged by the Commission that the Commission shall include an ordering paragraph authorizing the implementation all components of this Stipulation. To the extent any component of this Stipulation is changed by Commission decision the Parties request that the unchanged portions be approved and likewise referenced in the ordering paragraph. The Parties agree that the Commission is not required to include ordering paragraphs in its decision specifically addressing each component of this Stipulation. Any Commission modifications do not nullify the remainder of this stipulation.

Any Commission modifications do not nullify the remainder of this stipulation.

11.09 The Parties jointly and separately agree that they have negotiated and entered into this stipulation as a whole. If the Commission changes or omits any provision, or adds to the stipulation in any way not essential to implement the stipulation either party may reject the settlement without liability.

Dated: April 14, 2004

Dated: April 14, 2004


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APPENDIX A

RECONCILIATION EXHIBIT
SOUTHERN CALIFORNIA WATER COMPANY
METROPOLITAN - A.03-10-006
TEST YEAR 2004

Page 1

SUMMARY OF EARNINGS	SCWC	Change	SCWC Stipulation	Change	Staff
AT PRESENT RATES:					
Operating Revenues	79,529.4	1,218.0	80,747.4	(1,288.8)	82,036.2
Oper. & Maint. Expenses	20,401.8	360.8	20,762.6	(272.4)	21,035.0
Purchased Water	1,779.9	297.1	2,077.1	99.3	1,977.8
Purchased Power	4,010.5	(88.9)	3,921.6	(24.9)	3,946.5
Pump Taxes	541.4	(42.2)	499.2	(8.8)	508.0
Chemicals	1,217.3	(89.7)	1,127.6	(0.0)	1,127.6
Common Cust. Acct. (G.O.)	0.0	0.0	0.0	0.0	0.0
Common Cust. Acct. (Region)	0.0	0.0	0.0	0.0	0.0
Common Cust. Acct. (District)	0.0	0.0	0.0	0.0	0.0
Postage	302.7	5.0	307.6	4.9	302.7
Uncollectibles	2,309.2	(175.5)	2,133.7	209.7	1,924.0
Oper-Labor	1,462.9	14.8	1,477.7	49.0	1,428.7
Oper-Others	1,084.4	31.7	1,116.2	84.0	1,032.2
Maint-Labor	4,166.9	(730.0)	3,436.9	587.4	2,849.5
Maint-Others					
A&G Expenses	238.8	(0.9)	237.9	97.8	140.1
Office Supplies	0.0	0.0	0.0	0.0	0.0
Insurance	0.0	0.0	0.0	0.0	0.0
Injuries & Damages	27.4	0.2	27.5	15.5	12.0
Pension & Benefits	1.2	0.0	1.2	(0.0)	1.2
Business Meals	170.9	0.0	170.9	0.0	170.9
Regulatory Comm	317.8	1.8	319.7	1.9	317.8
Outside Services	10.3	0.1	10.3	0.0	10.3
Misc	9,577.0	(572.9)	9,004.1	0.0	9,004.1
Alloc Gen Office	1,224.3	(184.3)	1,040.1	394.9	645.2
Alloc Region Office	1,777.6	(300.1)	1,477.4	216.4	1,261.0
Alloc District Office	73.0	0.4	73.4	52.6	20.8
Maintenance	269.3	0.3	269.6	0.3	269.3
Rent	0.0	0.0	0.0	0.0	0.0
A & G Exp. Capitalized	562.6	(18.1)	544.4	39.5	504.9
A&G Labor	8,405.7	(962.7)	7,443.0	(155.8)	7,598.8
Depreciation					
Other Taxes	2,575.1	(439.5)	2,135.6	177.0	1,958.6
Property Taxes	312.6	(12.1)	300.6	27.2	273.4
Payroll Taxes	966.9	15.0	981.9	(12.0)	993.9
Local Taxes	3,701.3	1,925.5	5,626.8	(1,580.0)	7,206.8
Income Taxes					
Total Expenses After Taxes	67,488.8	(964.2)	66,524.6	3.5	66,521.1
Net Operating Revenues	12,040.6	2,182.2	14,222.8	(1,292.3)	15,515.1
Rate Base	212,187.0	(20,308.2)	191,878.8	8,731.1	183,147.7
Rate of Return	5.67%		7.41%		8.47%
AT PROPOSED RATES:					
Operating Revenues	94,909.1	(9,447.8)	85,461.3	3,429.6	82,031.7
Uncollectibles	361.2	(35.6)	325.6	22.9	302.7
Local Taxes	1,154.1	(114.9)	1,039.2	45.4	993.8
Income Taxes	10,336.0	(2,675.6)	7,660.4	455.6	7,204.8
Total Expenses After Taxes	74,369.3	(5,735.8)	68,633.4	2,114.3	66,519.1
Net Operating Revenues	20,539.8	(3,712.0)	16,827.9	1,315.3	15,512.6
Rate Base	212,187.0	(20,308.2)	191,878.8	8,731.1	183,147.7
Rate of Return	9.68%		8.77%		8.47%

APPENDIX A

RECONCILIATION EXHIBIT
SOUTHERN CALIFORNIA WATER COMPANY
METROPOLITAN - A.03-10-006
TEST YEAR 2005

Page 2

SUMMARY OF EARNINGS	SCWC	Change	SCWC Stipulation	Change	Staff
AT PRESENT RATES:					
Operating Revenues	79,787.9	1,220.2	81,008.2	(1,294.3)	82,302.5
Oper. & Maint. Expenses					
Purchased Water	22,472.4	(1,603.7)	20,868.7	(276.5)	21,145.2
Purchased Power	1,780.2	297.2	2,077.3	99.2	1,978.1
Pump Taxes	4,409.3	(487.7)	3,921.6	(24.9)	3,946.5
Chemicals	556.8	(44.7)	512.2	(4.0)	516.2
Common Cust. Acct. (G.O.)	1,245.3	(88.4)	1,156.9	13.1	1,143.8
Common Cust. Acct. (Region)	0.0	0.0	0.0	0.0	0.0
Common Cust. Acct. (District)	0.0	0.0	0.0	0.0	0.0
Postage	0.0	0.0	0.0	0.0	0.0
Uncollectibles	303.6	5.0	308.6	5.0	303.6
Oper-Labor	2,380.7	(196.4)	2,184.3	237.3	1,947.0
Oper-Others	1,499.0	11.9	1,510.8	77.3	1,433.5
Maint-Labor	1,118.0	24.6	1,142.7	93.9	1,048.8
Maint-Others	4,424.3	(898.1)	3,526.2	638.9	2,887.3
A&G Expenses					
Office Supplies	245.6	(1.5)	244.1	100.5	143.6
Insurance	0.0	0.0	0.0	0.0	0.0
Injuries & Damages	0.0	0.0	0.0	(0.2)	0.2
Pension & Benefits	28.2	0.1	28.3	16.0	12.3
Business Meals	1.2	0.0	1.2	(0.1)	1.3
Regulatory Comm	170.9	0.0	170.9	0.0	170.9
Outside Services	326.9	1.0	328.0	1.1	326.9
Misc	10.6	0.0	10.6	0.0	10.6
Alloc Gen Office	9,797.3	(559.0)	9,238.2	104.4	9,133.8
Alloc Region Office	1,279.0	(214.4)	1,064.7	403.1	661.6
Alloc District Office	1,826.8	(314.7)	1,512.1	219.0	1,293.1
Maintenance	75.1	0.2	75.3	54.0	21.3
Rent	278.4	(1.7)	276.6	(1.8)	278.4
A & G Exp. Capitalized	0.0	0.0	0.0	0.0	0.0
A&G Labor	580.0	(22.6)	557.4	45.6	511.8
Depreciation	9,573.7	(643.0)	8,930.7	137.1	8,793.6
Other Taxes					
Property Taxes	2,846.0	(354.2)	2,491.8	407.8	2,084.0
Payroll Taxes	322.3	(14.6)	307.7	30.7	277.0
Local Taxes	970.0	15.0	985.1	(12.0)	997.1
Income Taxes	752.4	3,339.9	4,092.3	(1,617.7)	5,710.0
Total Expenses After Taxes	69,274.1	(1,749.7)	67,524.3	746.8	66,777.5
Net Operating Revenues	10,513.9	2,970.0	13,483.8	(2,041.2)	15,525.0
Rate Base	234,583.5	(18,179.1)	216,404.4	13,249.3	203,155.1
Rate of Return	4.48%		6.23%		7.64%
AT PROPOSED RATES:					
Operating Revenues	101,853.7	(10,980.4)	90,873.3	5,600.8	85,272.5
Uncollectibles	387.7	(41.4)	346.2	31.7	314.6
Local Taxes	1,238.5	(133.5)	1,105.0	71.9	1,033.1
Income Taxes	10,271.5	(1,923.4)	8,348.1	1,356.9	6,991.2
Total Expenses After Taxes	79,145.7	(7,208.0)	71,937.7	3,831.8	68,105.9
Net Operating Revenues	22,708.0	(3,772.4)	18,935.6	1,769.0	17,166.6
Rate Base	234,583.5	(18,179.1)	216,404.4	13,249.3	203,155.1
Rate of Return	9.68%		8.75%		8.45%

RECONCILIATION EXHIBIT
SOUTHERN CALIFORNIA WATER COMPANY
METROPOLITAN – A.03-10-006
TEST YEAR 2004

Page 3

INCOME TAX CALCULATION	SCWC	Change	SCWC Stipulation	Change	Staff
AT PRESENT RATES:					
Total Operating Revenues	79,529.4	1,218.0	80,747.4	(1,288.8)	82,036.2
Operating Expenses	63,787.5	(2,889.7)	60,897.8	1,583.4	59,314.3
Interest on LTD	8,063.1	(733.3)	7,329.8	333.6	6,996.2
Book Depr'n (w/ G.O.)	(8,942.5)	962.7	(7,979.8)	711.0	(8,690.8)
Total Deductions	62,908.1	(2,660.3)	60,247.8	2,628.1	57,619.7
State Tax Depreciation	6,799.5	(20.3)	6,779.2	(20.3)	6,799.5
Other State Schedule M	(634.5)	0.0	(634.5)	0.0	(634.5)
8.84% --State Tax	924.3	344.7	1,269.0	(344.4)	1,613.4
Book Depr'n (w/ G.O.)	8,942.5	(962.7)	7,979.8	(711.0)	8,690.8
Tax Depr. - Flow Through	(657.5)	0.0	(657.5)	0.0	(657.5)
State Tax Deduction	924.3	344.7	1,269.0	344.7	924.3
Other Fed Schedule M	(617.9)	0.0	(617.9)	0.0	(617.9)
Def Rev Amort - Contrib	95.7	(20.4)	75.3	(20.4)	95.7
35.00% --Federal Tax	2,777.0	1,580.8	4,357.8	(1,235.6)	5,593.4
TOTAL INCOME TAX	3,701.3	1,925.5	5,626.8	(1,580.0)	7,206.8
AT PROPOSED RATES:					
Total Operating Revenues	94,909.1	(9,447.8)	85,461.3	3,429.6	82,031.7
Operating Expenses	64,033.3	(3,060.2)	60,973.0	1,658.8	59,314.2
Interest on LTD	8,063.1	(733.3)	7,329.8	333.6	6,996.2
Book Depr'n (w/ G.O.)	(8,942.5)	962.7	(7,979.8)	711.0	(8,690.8)
Total Deductions	63,153.9	(2,830.9)	60,323.1	2,703.4	57,619.6
State Tax Depreciation	6,799.5	(20.3)	6,779.2	(20.3)	6,799.5
Other State Schedule M	(634.5)	0.0	(634.5)	0.0	(634.5)
8.84% --State Tax	2,262.2	(583.2)	1,679.0	66.0	1,613.0
Book Depr'n (w/ G.O.)	8,942.5	(962.7)	7,979.8	(711.0)	8,690.8
Tax Depr. - Flow Through	(657.5)	0.0	(657.5)	0.0	(657.5)
State Tax Deduction	924.3	344.7	1,269.0	344.7	924.3
Other Fed Schedule M	(617.9)	0.0	(617.9)	0.0	(617.9)
Def Rev Amort - Contrib	95.7	(20.4)	75.3	(20.4)	95.7
35.00% --Federal Tax	8,073.8	(2,092.5)	5,981.3	389.5	5,591.8
TOTAL INCOME TAX	10,336.0	(2,675.6)	7,660.4	455.6	7,204.8

RECONCILIATION EXHIBIT
SOUTHERN CALIFORNIA WATER COMPANY
METROPOLITAN - A.03-10-006
TEST YEAR 2005

Page 4

INCOME TAX CALCULATION	SCWC	Change	SCWC Stipulation	Change	Staff
AT PRESENT RATES:					
Total Operating Revenues	79,787.9	1,220.2	81,008.2	(1,294.3)	82,302.5
Operating Expenses	68,521.7	(5,089.6)	63,432.0	2,384.5	61,067.5
Interest on LTD	8,914.2	(690.8)	8,223.4	503.5	7,719.9
Book Depr'n (w/ G.O.)	(10,122.8)	641.3	(9,481.4)	435.8	(9,917.2)
Total Deductions	67,313.1	(5,139.1)	62,173.9	3,303.7	58,870.2
State Tax Depreciation	9,628.3	(1,310.8)	8,317.5	(384.8)	8,702.3
Other State Schedule M	(634.5)	0.0	(634.5)	0.0	(634.5)
8.84% --State Tax	307.7	678.1	985.8	(372.4)	1,358.2
Book Depr'n (w/ G.O.)	10,122.8	(641.3)	9,481.4	(435.8)	9,917.2
Tax Depr. - Flow Through	(669.7)	0.0	(669.7)	0.0	(669.7)
State Tax Deduction	2,262.2	(583.2)	1,679.0	(583.2)	2,262.2
Other Fed Schedule M	(617.9)	0.0	(617.9)	0.0	(617.9)
Def Rev Amort - Contrib	106.9	(21.5)	85.5	(21.5)	106.9
35.00% --Federal Tax	444.7	2,661.8	3,106.5	(1,245.3)	4,351.8
TOTAL INCOME TAX	752.4	3,339.9	4,092.3	(1,617.7)	5,710.0
AT PROPOSED RATES:					
Total Operating Revenues	101,853.7	(10,980.4)	90,873.3	5,600.8	85,272.5
Operating Expenses	68,874.2	(5,284.6)	63,589.6	2,475.1	61,114.5
Interest on LTD	8,914.2	(690.8)	8,223.4	503.5	7,719.9
Book Depr'n (w/ G.O.)	(10,122.8)	641.3	(9,481.4)	435.8	(9,917.2)
Total Deductions	67,665.6	(5,334.2)	62,331.4	3,414.2	58,917.2
State Tax Depreciation	9,628.3	(1,310.8)	8,317.5	(384.8)	8,702.3
Other State Schedule M	(634.5)	0.0	(634.5)	0.0	(634.5)
8.84% --State Tax	2,227.2	(383.3)	1,843.9	227.3	1,616.6
Book Depr'n (w/ G.O.)	10,122.8	(641.3)	9,481.4	(435.8)	9,917.2
Tax Depr. - Flow Through	(669.7)	0.0	(669.7)	0.0	(669.7)
State Tax Deduction	2,262.2	(583.2)	1,679.0	(583.2)	2,262.2
Other Fed Schedule M	(617.9)	0.0	(617.9)	0.0	(617.9)
Def Rev Amort - Contrib	106.9	(21.5)	85.5	(21.5)	106.9
35.00% --Federal Tax	8,044.3	(1,540.1)	6,504.2	1,129.4	5,374.8
TOTAL INCOME TAX	10,271.5	(1,923.4)	8,348.1	1,356.9	6,991.2

APPENDIX B
SOUTHERN CALIFORNIA WATER COMPANY
METROPOLITAN DISTRICT
2003 CAPITAL BUDGET

BUDGET GROUP	DESCRIPTION	SCWC		ORA		Stipulation		
		2003		2003	Defer to 2004	2003	Defer to 2004	Advice Letter
	Water Supply							
	Artesia							
51-	Massinger - Iron, Manganese and Arsenic	\$527,500			\$527,500	\$17,500	\$510,000	
51-	Massinger - Raise pump base and fabricate	\$71,600		\$71,600		\$615	\$70,985	
51-	Massinger - House Hypochlorite tank with	\$89,600		\$89,600		\$370	\$89,230	
51-	Maldstone - Abandon the well	\$33,100		\$33,100		\$2,317	\$30,783	
51-	214th - Abandon the well	\$33,100		\$33,100		\$1,680	\$31,420	
51-	Seine - Abandon the well	\$33,100		\$33,100		\$1,289	\$31,811	
	Bell-Bell Gardens							
51-	Watson - House Hypochlorite tank with bl	\$92,600			\$92,600	\$186	\$92,414	
51-	Watson - Raise pump base, fabricate disc	\$74,500			\$74,500	\$61	\$74,439	
	Culver City							
51-	Bernardo - Booster 'A' Replacement	\$72,300		\$72,300		\$12,719	\$59,581	
51-	Bernardo - Get away piping and replace	\$189,600			\$189,600		\$189,600	
51-	WB23 - Bypass @ MWD Connection	\$125,400			\$125,400	\$51,713	\$73,687	
51-	Ranch Rd - Electrical Upgrade	\$105,200		\$105,200			\$105,200	
51-	Perham - New Site	\$1,500,000					\$1,500,000	
	Setney - Filtration System					\$14,741	\$0	
	Sentney Ph 2 & 3 - Fill & Draw					\$98,148	\$0	
	Florence-Graham							
51-	PDR - Storage and Supply	\$38,300		\$38,300		\$0	\$38,300	
51-	Converse - Drain Line	\$34,200		\$34,200		\$32,359	\$1,841	
	Norwalk							
51-	Dace - Electrical Upgrade	\$151,900			\$151,900	\$13,844	\$138,056	
51-	Dace - Drain Line	\$10,900		\$10,900		\$10,531	\$369	
51-	Imperial - Install Airstrippers	\$75,000		\$75,000		\$8,766	\$66,234	
51-	Pioneer - House Hypochlorite tank with b	\$62,300		\$62,300		\$985	\$61,315	
	Willowbrook							
51-	Willowbrook - Reservoir Roof Seismic Re	\$183,100			\$80,000	\$5,926	\$177,174	
	Total Central	\$3,503,300		\$658,700	\$1,241,500	\$ 273,730	\$ 1,842,459	\$1,500,000
	Southwest District							
51-	Manhattan - Slope stabilization	\$204,300			\$204,300	\$24,596	\$179,704	
51-	Dalton Plant - Replace chemical building	\$68,200		\$68,200		\$912	\$67,288	
51-	Goldmedal Plant - Replace chemical buil	\$68,200		\$68,200		\$826	\$67,374	
51-	Yukon Plant - Replace chemical building	\$68,200		\$68,200		\$1,245	\$66,955	
51-	Southem - Iron and Manganese Removal	\$528,500			\$528,500		\$528,500	
51-	Doty - Iron and Manganese Removal Sys	\$602,200			\$602,200		\$602,200	
51-	157th Plant - Wall Abandonment	\$33,000		\$33,000		\$487	\$32,513	

APPENDIX B
SOUTHERN CALIFORNIA WATER COMPANY
METROPOLITAN DISTRICT
2003 CAPITAL BUDGET

BUDGET GROUP	DESCRIPTION	SCWC		ORA		Stipulation		
		2003		2003	Defer to 2004	2003	Defer to 2004	Advice Letter
51-	Carise Plant - Well Abandonment	\$33,200		\$33,200		\$830	\$32,370	
51-	Wadsworth Plant - Well Abandonment	\$33,000		\$33,000		\$107	\$32,893	
51-	Wadsworth Plant - Demolish and rebuild	\$151,900			\$151,900	\$1,129	\$150,771	
51-	New MWD connection - Dominguez	\$1,510,400		\$1,510,400		\$1,249,928	\$260,472	
51-	Upgrade MWD WB-1, WB-11, and WB-3	\$331,300			\$331,300	\$1,476	\$329,824	
51-	Athens - Replace main gate, Site lighting	\$16,000		\$16,000		\$15,315	\$685	
51-	Ballona - Replace fencing & main gate, Site lighting	\$59,100		\$59,100		\$13,509	\$45,591	
51-	Budlong - Replace fencing & main gate	\$79,600		\$79,600		\$20,558	\$59,042	
51-	Southern East - Replace fencing & main gate	\$45,500		\$45,500			\$45,500	
51-	Southern West - Replace fencing & main gate	\$17,900		\$17,900		\$13,000	\$4,900	
51-	Gardena Heights - Replace fencing & main gate	\$33,500		\$33,500		\$15,138	\$18,362	
51-	Wadsworth - Replace fencing & main gate	\$61,000		\$61,000		\$22,790	\$38,210	
51-	Belhaven - Replace fencing & main gate, Site lighting	\$56,100		\$56,100		\$16,127	\$39,973	
51-	Dalton - Replace fencing & main gate, Site lighting	\$48,800		\$48,800		\$10,287	\$38,513	
51-	129th St - Site Lighting	\$2,700		\$2,700			\$2,700	
51-	Chadron - Replace fencing & main gate, Site lighting	\$54,900		\$54,900		\$17,908	\$36,992	
51-	Yukon - Replace fencing & main gate, Site lighting	\$39,600		\$39,600		\$11,680	\$27,920	
51-	Goldmedal - Replace fencing, man access	\$43,400		\$43,400		\$7,580	\$35,820	
51-	Compton/Doty - Replace fencing & main gate	\$22,300		\$22,300		\$11,251	\$11,049	
51-	Truro - Replace fencing, Site lighting	\$32,400		\$32,400		\$9,785	\$22,615	
51-	Manhattan - Replace fencing & main gate	\$31,300		\$31,300		\$9,105	\$22,195	
51-	Doty - Replace fencing, Site lighting	\$54,900		\$54,900		\$16,412	\$38,488	
51-	WB1 - Modify SCADA to include alarms	\$4,100		\$4,100		\$2,377	\$1,723	
51-	WB15 - Modify SCADA to include alarms	\$4,100		\$4,100		\$1,560	\$2,540	
51-	WB31 - Modify SCADA to include alarms	\$4,100		\$4,100		\$2,407	\$1,693	
51-	WB25 - Modify SCADA to include alarms	\$4,100		\$4,100		\$2,407	\$1,693	
51-	WB12 - Modify SCADA to include alarms	\$4,100		\$4,100		\$2,435	\$1,665	
51-	WB11 - Modify SCADA to include alarms	\$4,100		\$4,100		\$2,407	\$1,693	
51-	WB2A - Modify SCADA to include alarms	\$4,100		\$4,100		\$2,387	\$1,713	
51-	WB30 - Modify SCADA to include alarms	\$4,100		\$4,100		\$2,387	\$1,713	
51-	WB13 - Modify SCADA to include alarms	\$4,100		\$4,100			\$2,540	
51-	CB4 - Modify SCADA to include alarms	\$4,100		\$4,100		\$1,560	\$2,540	
51-	WB33 - Modify SCADA to include alarms	\$4,100		\$4,100		\$1,560	\$2,540	
	Total Southwest	\$4,376,500		\$2,558,300	\$1,818,200	\$1,515,031	\$2,861,469	\$0

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APPENDIX B
SOUTHERN CALIFORNIA WATER COMPANY
METROPOLITAN DISTRICT
2003 CAPITAL BUDGET

BUDGET GROUP	DESCRIPTION	SCWC		ORA		Stipulation		Advice Letter
		2003		2003	Defer to 2004	2003	Defer to 2004	
	Norwalk							
53-	Install 170' of 8" DI, Lukay St from e/o Ca	\$144,100		\$144,100		\$0	\$144,100	
53-	Install 990' of 8" DI, Lakeland Rd from e/o	\$177,900		\$177,900		\$20,967	\$156,933	
53-	Install 430' of 8" DI, Kenney St from Stud	\$95,600		\$95,600		\$14,465	\$81,135	
	Willowbrook							
53-	Install 300' of 8" DI in Grandee St from 13	\$70,600		\$70,600		\$9,478	\$61,122	
		\$3,448,800		\$2,586,400	\$862,400	\$314,424	\$3,034,376	\$0
	Southwest System							
	Southwest District							
53-	Gate Valves Replacements	\$300,000		\$240,000		\$201,500	\$0	
53-	Fire Hydrants Replacements	\$200,000		\$160,000		\$136,600	\$0	
	Athens							
53-	Install 1100' of 8" DI, 123rd St from Budc	\$254,800		\$254,800		\$51,765	\$203,035	
	Carson							
53-	Install 800' of 12" DI, Avalon Blvd from G	\$126,200		\$126,200		\$44,153	\$82,047	
	El Camino							
53-	Install 1240' of 8" DI, 152nd St from Fays	\$292,000		\$292,000		\$108,459	\$183,541	
53-	Install 500' of 8" DI, Purche Avenue from	\$128,000		\$128,000		\$10,512	\$117,488	
	Gardena							
53-	Install 4300' of 12" DI and 380' of 8" DI, Redondo	\$963,100			\$963,100	\$245,495	\$717,605	
	Hawthorne							
53-	Install 1600' of 12" DI and 150' of 8" DI, Ir	\$346,900		\$346,900		\$93,180	\$253,720	
	Inglewood							
53-	Install 2300' of 8" DI, Lemoli Av from Imp	\$537,000		\$537,000		\$28,887	\$508,113	
	Lawndale							
53-	Install 985' of 8" DI, Freeman Av from 15	\$254,800		\$254,800		\$20,546	\$234,254	
	Lennox							
53-	Install 1400' of 12" DI, Hawthorne Blvd., f	\$345,000		\$345,000		\$27,074	\$317,926	
53-	Install 1400' of 8" DI, Mansel Av from Len	\$325,400		\$325,400		\$56,941	\$268,459	
	Storage Cabinet					3,028	\$0	
	Redondo/Normandie/Denker						\$0	
	Redondo/Denker/Western						\$0	
	137th - La Cienega to Inglewood						\$0	
	Yukon #5 2-2" PVC chem conduit					14,708	\$0	
		\$4,073,200		\$3,010,100	\$963,100	\$1,042,345	\$2,967,755	\$0
	TOTAL DISTRIBUTIO	\$7,522,000		\$5,596,500	\$1,825,500	\$1,301,100	\$5,295,400	\$0

APPENDIX B
SOUTHERN CALIFORNIA WATER COMPANY
METROPOLITAN DISTRICT
2003 CAPITAL BUDGET

BUDGET GROUP	DESCRIPTION	SCWC	ORA		Stipulation		
			2003	2004	2003	2004	Advice Letter
	Miscellaneous						
55-	Conservation Projects						
55-	Wrightcrest PRV Vault Replacement - Cu	\$700,000	\$250,000		\$84,018	\$165,982	
55-	Capital Improvements - Broadway Office	\$12,800	\$12,800		\$2,736	\$10,064	
55-	Capital Improvements - Chadron Office	\$155,000		\$155,000	\$0	\$155,000	
55-	Southwest CSA Office Relocation Capital Im	\$177,500		\$177,500	\$0	\$177,500	
55-	TOTAL MISCELLANEOUS	\$298,100			\$0	\$0	\$298,100
		\$1,343,400	\$262,800	\$332,500	\$86,755	\$508,545	\$298,100
57-	Contingency						
		\$2,817,000	\$1,502,500			\$1,228,400	\$0
	TOTAL CONTINGENCY	\$2,817,000	\$1,502,500	\$0	\$-	\$1,228,400	\$0
60-	New Business funded by SCWC		\$80,000				
60-	New Business funded by Others	\$1,800,000	\$500,000				
	TOTAL NEW BUSINESS	\$1,880,000	\$540,000	\$0	\$719,900	\$0	\$0
	Blankets						
B-01-	Replacement of Stuck and Damaged Meter	\$457,300	\$240,000		\$296,000	\$0	
B-01-	Meter Replacement Program - Small - CB	\$117,300	\$0		\$800	\$0	
B-01-	Meter Replacement Program - Small - CB	\$118,300	\$0		\$0	\$0	
B-01-	Meter Replacement Program - Small - Cu	\$84,100	\$84,100		\$30,600	\$0	
B-01-	Meter Replacement Program - Small - So	\$201,200	\$0		\$0	\$0	
B-01-	Vault Lid Replacements - CBE	\$19,100	\$19,100		\$0	\$0	
B-01-	Vault Lid Replacements - CBW	\$9,700	\$9,700		\$0	\$0	
B-01-	Vault Lid Replacements - Culver City	\$11,200	\$11,200		\$0	\$0	
B-01-	Vault Lid Replacements - Southwest	\$47,600	\$47,600		\$841	\$0	
B-01-	Meter Replacement Program - Large (ma	\$139,700	\$70,000		\$0	\$0	
B-01-	Meter Replacement Program - Large (ma	\$99,300	\$50,000		\$0	\$0	
B-01-	Meter Replacement Program - Large (ma	\$99,300	\$50,000		\$0	\$0	
B-01-	Meter Replacement Program - Large (ma	\$418,900	\$210,000		\$0	\$0	
B-01-	Automatic Meter Reading - CBE	\$799,100	\$200,000	\$600,000	\$377,424	\$422,576	
B-01-	Automatic Meter Reading - CBW	\$873,300	\$218,000	\$655,000	\$535,076	\$337,924	
B-01-	Automatic Meter Reading - CC	\$4,900	\$4,900		\$0	\$4,900	
B-01-	Automatic Meter Reading - SW	\$1,310,500	\$680,500	\$630,000	\$1,109,043	\$201,457	
		\$4,810,800	\$1,895,100	\$1,885,000	\$2,349,784	\$666,258	\$0
B-02-	Services - Central	\$300,000	\$300,000		\$196,800	\$0	
B-02-	Services - SW	\$400,000	\$400,000		\$935,100	\$0	
B-06-	Minor Main Replacement - Central	\$300,000	\$210,000		\$292,700	\$0	
B-06-	Minor Main Replacement - SW	\$1,000,000	\$750,000		\$1,163,700	\$0	
B-07-	Minor Pumping Plant Equipment and Stru	\$9,000	\$9,000		\$0	\$0	
B-07-	Minor Pumping Plant Equipment and Stru	\$9,000	\$9,000		\$0	\$0	
B-08-	Minor Purification Equipment and Structu	\$10,000	\$10,000		\$18,100	\$0	
B-08-	Minor Purification Equipment and Structu	\$15,000	\$15,000		\$0	\$0	

APPENDIX B
SOUTHERN CALIFORNIA WATER COMPANY
METROPOLITAN DISTRICT
2003 CAPITAL BUDGET

BUDGET GROUP	DESCRIPTION	Year	SCWC		ORA		Stipulation		Advice
			2003	Mileage	2003	2004	2003	2004	
B-10-	Vehicles								
		Southwest District							
1.	Repl. Vehicle No. 32	1992	\$31,700				\$0	\$31,700	
2.	Repl. Vehicle No. 25	1991	\$34,000					\$34,000	
3.	Repl. Vehicle No. 34	1993	\$31,700				\$0	\$31,700	
4.	Repl. Vehicle No. 73	1999	\$26,000				\$21,900	\$4,100	
		Central District							
1.	Repl. Vehicle No. 27	1991	\$31,700				\$0	\$31,700	
2.	Repl. Vehicle No. 34	1993	\$31,700				\$14,795	\$16,905	
	Total Vehicles		\$186,800		\$0		\$36,695	\$150,105	\$0
B-11-	Miscellaneous tools and safety equipment								
B-11-	Miscellaneous tools and safety equipment		\$20,000				\$0		
B-12-	Minor additions to general structures - Ca		\$30,000				\$70		
B-12-	Minor additions to general structures - SV		\$12,000				\$39,600		
	TOTAL BLANKETS		\$7,114,600		\$3,858,900	\$1,885,000	\$5,032,348	\$1,151,294	\$0
	TOTAL GROSS COS		\$28,169,800		\$15,025,200	\$7,102,700	\$10,036,210	\$12,284,331	\$1,798,100
	TOTAL GROSS COS		\$30,886,800		\$16,527,700	\$7,102,700	\$10,036,210	\$13,512,731	\$1,798,100
	LESS NEW BUSINESS FUNDE		\$1,800,000		\$500,000	\$0	\$719,900	\$0	\$0
	TOTAL NET COST		\$29,186,800		\$16,027,700	\$7,102,700	\$9,316,310	\$13,512,731	\$1,798,100
	Infrastructure Program (IRP)		\$13,486,950		\$7,571,500	\$5,100,000	\$8,632,300	\$4,854,650	
	Construction Work in Progress (CWIP)		\$11,445,401		\$8,052,000	\$3,514,400	\$8,416,100	\$9,028,301	
	Overhead Adjustment				-\$808,353	-\$392,928			
	Total Capital Addition (w/o Region II HQ)		\$55,919,151		\$31,344,848	\$15,717,100	\$27,984,619	\$21,393,932	\$1,798,100
	2004 Region II - HQ		\$159,100		\$100,328		\$133,100		
	2003 Total Capital Addition		\$56,078,251		\$31,445,175	\$15,717,100	\$27,217,710	\$21,528,032	\$1,798,100

APPENDIX B
SOUTHERN CALIFORNIA WATER COMPANY
METROPOLITAN DISTRICT
PROPOSED CAPITAL BUDGET
2004

BUDGET	DESCRIPTION	SCWC	ORA	Stipulation	#
GROUP		2004	2004	2005	Letter
	Land and Water Rights				
	Soil/Water District				
50-	Delton - Purchase adjacent property	\$ 483,500	\$ 483,500	\$ 483,500	
	TOTAL LAND AND WATER RIGHTS	\$ 483,500	\$ 483,500	\$ 483,500	\$
	Water Supply				
	Artesia				
51-	Drill & replacement well, Develop, Equip and Treatme	\$ 2,800,000	\$ 2,300,000	\$ 2,500,000	
51-	Cerrita - Arsenic and Manganese Removal Filtratio	\$ 487,600	\$ 487,600	\$ 487,600	
51-	Cerrita - House hypochlorite tanks (2) with two blo	\$ 155,800	\$ 155,800	\$ 155,800	
51-	Cerrita - Replace fencing & main gate, site lightin	\$ 72,200	\$ 72,200	\$ 72,200	
51-	Elia - Replace fencing & main gate, site lighting, in	\$ 32,700	\$ 32,700	\$ 32,700	
51-	Juan - Site lighting and install SCADA	\$ 17,900	\$ 17,900	\$ 17,900	
51-	Ros - Replace fencing & main gate, site lighting,	\$ 76,300	\$ 76,300	\$ 76,300	
51-	Grt - Connection - Install SCADA	\$ 11,000	\$ 11,000	\$ 11,000	
51-	195 - Connection - Install SCADA	\$ 11,000	\$ 11,000	\$ 11,000	
	Bell / Bell Gardens				
51-	Bissell - Drain Line	\$ 121,000	\$ 121,000	\$ 121,000	
51-	Bissell - House Hypochlorite tank with block building	\$ 63,200	\$ 63,200	\$ 63,200	
51-	Bissell - Replace Booster A	\$ 47,300	\$ 47,300	\$ 47,300	
51-	Clara - Drain Line	\$ 22,400	\$ 22,400	\$ 22,400	
51-	Prory - Raise pump base and fabricate discharge pld	\$ 78,500	\$ 78,500	\$ 78,500	
51-	Prory - Drain Line	\$ 67,800	\$ 67,800	\$ 67,800	
51-	Bissell - Replace fencing, site lighting, install SCADA	\$ 37,900	\$ 37,900	\$ 37,900	
51-	Watson - Replace fencing & main gate, site lighting,	\$ 34,400	\$ 34,400	\$ 34,400	
51-	CB-03 Connection - Install SCADA	\$ 11,000	\$ 11,000	\$ 11,000	
51-	Bell Gardens Connection - Install SCADA	\$ 11,000	\$ 11,000	\$ 11,000	
	Culver City				
51-	WB24 - Bypass @ MET Connection	\$ 84,500	\$ 84,500	\$ 84,500	
51-	Perham - Electrical Upgrade	\$ 197,800	\$ 197,800	\$ 197,800	
51-	Baldwin Hills - Replace fencing & main gate, site ligh	\$ 39,500	\$ 39,500	\$ 39,500	
51-	WB-23 Connection - Install SCADA	\$ 11,000	\$ 11,000	\$ 11,000	
	Florence-Graham				
51-	Goodyear - Raise pump base and fabricate discharge	\$ 72,700	\$ 72,700	\$ 72,700	
51-	Goodyear - Electrical Upgrade	\$ 152,400	\$ 152,400	\$ 152,400	
51-	Goodyear - Drain Line	\$ 219,600	\$ 219,600	\$ 219,600	
51-	Miramonte #1 & #2 - Raise pump base, fabricate discharge piping, convert pump from oil to water	\$ 210,800	\$ 210,800	\$ 210,800	
51-	Miramonte - Drain Line	\$ 62,200	\$ 62,200	\$ 62,200	
51-	Nadreau - Drain Line	\$ 24,100	\$ 24,100	\$ 24,100	
51-	Nadreau #2 - Abandon the well	\$ 33,600	\$ 33,600	\$ 33,600	

APPENDIX B
SOUTHERN CALIFORNIA WATER COMPANY
METROPOLITAN DISTRICT
PROPOSED CAPITAL BUDGET
2004

BUDGET	GROUP	DESCRIPTION	SCWC		ORA		Stipulation		Advice Letter
			2004		2004	Deferred to 2005	2004	2005	
	51-	Hollydale							
	51-	Century - Get Away Piping - 300' of 12" DI	\$ 57,100		\$ 57,100		\$ 57,100		
	51-	McKinley #2 - Abandon the well	\$ 33,600		\$ 33,600		\$ 33,600		
	51-	Coolidge - Abandon the well	\$ 33,600		\$ 33,600		\$ 33,600		
	51-	Nonwalk							
	51-	Stucabaker - Raise pump base and fabricate discharge	\$ 79,900		\$ 79,900		\$ 79,900		
	51-	Stucabaker - House Hypochlorite tank with block bull	\$ 63,200		\$ 63,200		\$ 63,200		
	51-	Meyar - Abandon the well	\$ 33,600		\$ 33,600		\$ 33,600		
		Total Central	\$ 5,568,200		\$ 4,382,800	\$ 487,600	\$ 4,582,800	\$ 487,600	\$ 197,800
		Southwest District							
	51-	Drill a replacement well, Develop, Equip and Treatme	\$ 2,800,000		\$ 2,300,000		\$ 2,500,000		
	51-	Athens Plant - New 1.3 MG Reservoir	\$ 1,116,700		\$ 900,000		\$ 1,000,000		
	51-	Athens Plant - Remove Pneumatic Tank, Install drain	\$ 348,800		\$ 348,800		\$ 348,800		
	51-	Budlong Plant - Demolish abandoned building, replac	\$ 263,900		\$ 263,900		\$ 263,900		
	51-	Gardena Hts - Install new drainage system for overfl	\$ 78,000		\$ 78,000		\$ 78,000		
	51-	Belhaven Plant - Replace chemical building	\$ 69,200		\$ 69,200		\$ 69,200		
	51-	Southern Plant - Replace chemical building	\$ 69,200		\$ 69,200		\$ 69,200		
	51-	Corpton/Doty Plant - Replace chemical building	\$ 69,300		\$ 69,300		\$ 69,300		
	51-	Chicago Plant - Well Abandonment	\$ 33,500		\$ 33,500		\$ 33,500		
	51-	Ballona Plant - Well Abandonment	\$ 33,700		\$ 33,700		\$ 33,700		
	51-	Athens Plant - Well Abandonment	\$ 33,500		\$ 33,500		\$ 33,500		
		Total Southwest	\$ 4,915,800		\$ 4,199,100	\$ -	\$ 4,499,100	\$ -	\$ -
		Misc Water Supply							
	51-	Miscellaneous Bowl Replacements - CBE	\$ 60,000		\$ 60,000		\$ 60,000		
	51-	Miscellaneous Bowl Replacements - CBW	\$ 80,000		\$ 80,000		\$ 80,000		
	51-	Miscellaneous Bowl Replacements - CC	\$ 15,000		\$ 15,000		\$ 15,000		
	51-	Miscellaneous Bowl Replacements - SW	\$ 75,000		\$ 75,000		\$ 75,000		
		Total Miscellaneous Water Supply	\$ 230,000		\$ 230,000		\$ 230,000		
		TOTAL WATER SUPPLY	\$ 10,714,000		\$ 8,811,900	\$ 487,600	\$ 9,311,900	\$ 487,600	\$ 197,800
	52-	Miscellaneous Street Improvements - CBE	\$ 300,000		\$ 300,000		\$ 300,000		
	52-	Miscellaneous Street Improvements - CBW	\$ 300,000		\$ 300,000		\$ 300,000		
	52-	Miscellaneous Street Improvements - CC	\$ 300,000		\$ 110,000		\$ 200,000		
	52-	Miscellaneous Street Improvements - SW	\$ 1,300,000		\$ 700,000		\$ 600,000		
		TOTAL STREET IMPROVEMENT	\$ 2,200,000		\$ 1,410,000	\$ -	\$ 1,700,000	\$ -	\$ -
		Distribution							
		Central District							
	53-	Gate Valves Replacements	\$ 50,000		\$ 50,000		\$ 50,000		
	53-	Fire Hydrants Replacements	\$ 50,000		\$ 50,000		\$ 50,000		
		Artesia							

APPENDIX B
SOUTHERN CALIFORNIA WATER COMPANY
METROPOLITAN DISTRICT
PROPOSED CAPITAL BUDGET
2004

BUDGET GROUP	DESCRIPTION	SCWC		ORA		Stipulation		Advice Letter
		2004		2004	Deferred to 2005	2004	Deferred to 2005	
53-	Install 150' of 8" DI in alley s/o Pioneer n/o Ashworth	\$ 26,300		\$ 26,300		\$ 26,300		
53-	Install 400' of 8" DI and 350' of 6" DI n/o Centralia ar	\$ 161,200			\$ 161,200	\$ -	\$ 161,200	
53-	Install 1100' of 8" DI in Arline from 221st to s/o of 223	\$ 258,800			\$ 258,800	\$ -	\$ 258,800	
53-	Install 900' of 8" DI in Corby and 184th from 186th St	\$ 227,200			\$ 227,200	\$ -	\$ 227,200	
53-	Install 2000' of 18" and 500' of 12" in Pioneer from MI	\$ 640,900		\$ 640,900		\$ 640,900		
	Bell / Bell Gardens							
53-	Pine Ave s/o Bell Ave, relocate services and tie over	\$ 12,800		\$ 12,800		\$ 12,800		
	Culver City							
53-	Install 2500' of 12" DI, Braddock Dr from Sepulveda t	\$ 630,400		\$ 630,400		\$ 630,400		
53-	Install 750' of 8" DI, Garfield from Harter to Common	\$ 176,100			\$ 176,100	\$ -	\$ 176,100	
53-	Install 1000' of 8" DI, Braddock Dr from Sepulveda to	\$ 236,700			\$ 236,700	\$ -	\$ 236,700	
	Florence Graham System							
53-	Install 800' of 8" DI, Santa Fe St from Short to Railroa	\$ 103,000		\$ 103,000		\$ 103,000		
53-	Install 1050' of 8" DI in Holmes between 88th St and	\$ 247,700		\$ 247,700		\$ 247,700		
	Hollywood System							
53-	Install 2050' of 12" DI, Main from alley w/o Paramount	\$ 526,000			\$ 526,000	\$ -	\$ 526,000	
	Nonwalk							
53-	Abandon 8" and 4" CI in Crews St from Norwalk to Ki	\$ 19,900		\$ 19,900		\$ 19,900		
53-	Relocate service /alley s/o Firestone & w/o San Ant	\$ 73,800		\$ 73,800		\$ 73,800		
53-	Install 100' of 8" DI in Mondon Court northeast of Mo	\$ 27,800		\$ 27,800		\$ 27,800		
53-	Install 200' of 8" DI in Spry West from Atee to end	\$ 43,800		\$ 43,800		\$ 43,800		
	TOTAL CENTRAL DI	\$ 3,512,400		\$ 1,926,400	\$ 1,586,000	\$ 1,926,400	\$ 1,586,000	\$ -
	Southwest System							
	Southwest District							
53-	Gate Valves Replacements	\$ 300,000		\$ 300,000		\$ 300,000		
53-	Fire Hydrants Replacements	\$ 200,000		125000		\$ 125,000		
	Affairs							
53-	Abandon 4" CI, 107th St from alley w/o Vermont Av t	\$ 151,300		\$ 151,300		\$ 151,300		
53-	Install 1000' of 8" DI, 122nd St from Vermont to Budh	\$ 236,700			\$ 236,700	\$ -	\$ 236,700	
53-	Install 830' of 12" and 1150' of 8" in 109th Pl from e/d	\$ 482,700		\$ 482,700		\$ 482,700		

APPENDIX B
SOUTHERN CALIFORNIA WATER COMPANY
METROPOLITAN DISTRICT
PROPOSED CAPITAL BUDGET
2004

BUDGET GROUP	DESCRIPTION				SCWC	ORA		Stipulation		Advice Letter
						2004	Deferred to 2005	2004	Defer to 2005	
53-	Galena									
53-	Install 1900' of 8" DI, 154th Pl from Western Av to Culver				\$ 451,600		\$ 451,600	\$ 451,600		
53-	Install 500' of 8" DI, Harvard St from 154th Street to Culver				\$ 115,400	\$ 115,400		\$ 115,400		
53-	Install 2000' of 8" DI, 154th St from Western Ave to Culver				\$ 473,500		\$ 473,500	\$ 473,500		
53-	Install 2300' of 8" DI, 153rd St from Western to a/o H				\$ 545,100		\$ 545,100	\$ 545,100		
53-	Install 1000' of 8" DI, 152nd St from Denker to Culver				\$ 236,700		\$ 236,700	\$ 236,700		
53-	Imperialwood									
53-	Install 2800' of 8" DI, Doty Av from Imperial to 107th				\$ 666,400		\$ 666,400	\$ 666,400		
53-	Lennox									
53-	Install 1400' of 8" DI, Grevillea Av from Lennox Blvd.				\$ 330,300		\$ 330,300	\$ 330,300		
	TOTAL SOUTHWEST				\$ 4,189,700	\$ 1,174,400	\$ 2,940,300	\$ 2,336,200	\$ 1,778,500	\$ -
	TOTAL DISTRIBUTION				\$ 7,702,100	\$ 3,100,800	\$ 4,526,300	\$ 4,262,600	\$ 3,384,500	\$ -
	Miscellaneous									
55-	Conservation Projects				\$ 700,000	\$ 570,000		\$ 570,000		
55-	Vulnerability Assessment Compliance - All Central S				\$ 175,000	\$ 175,000		\$ 175,000		
	TOTAL MISCELLANEOUS				\$ 875,000	\$ 745,000	\$ -	\$ 745,000	\$ -	\$ -
57-	Contingency				\$ 2,800,200	\$ 1,939,000		\$ 2,185,800	\$ 385,200	\$ -
	TOTAL CONTINGENCY				\$ 2,800,200	\$ 1,939,000	\$ -	\$ 2,185,800	\$ 385,200	\$ -
60-	New Business funded by SCWC				\$ 80,000	\$ 40,000		\$ 40,000		
60-	New Business funded by Others				\$ 1,800,000	\$ 1,500,000		\$ 1,500,000		
	TOTAL NEW BUSINESS				\$ 1,880,000	\$ 1,540,000	\$ -	\$ 1,540,000	\$ -	\$ -
	Blankets									
B-01-	Replacement of Stuck and Damaged Meters				\$ 480,200	\$ 326,000		\$ 400,000		
B-01-	Meter Replacement Program - Small - CBE				\$ 78,400	\$ 78,400		\$ 78,400		
B-01-	Meter Replacement Program - Small - CBW				\$ 82,100	\$ 82,100		\$ 82,100		
B-01-	Meter Replacement Program - Small - Culver City				\$ 51,100	\$ 51,100		\$ 51,100		
B-01-	Meter Replacement Program - Small - Southwest				\$ 150,100	\$ 150,100		\$ 150,100		
B-01-	Vault Lid Replacements - CBE				\$ 19,300	\$ 19,300		\$ 19,300		
B-01-	Vault Lid Replacements - CBW				\$ 9,900	\$ 9,900		\$ 9,900		
B-01-	Vault Lid Replacements - Culver City				\$ 11,400	\$ 11,400		\$ 11,400		
B-01-	Vault Lid Replacements - Southwest				\$ 48,300	\$ 48,300		\$ 48,300		
B-01-	Meter Replacement Program - Large (manifold replac				\$ 141,800	\$ 82,000		\$ 100,000		
B-01-	Meter Replacement Program - Large (manifold replac				\$ 100,800	\$ 100,800		\$ 100,800		
B-01-	Meter Replacement Program - Large (manifold replac				\$ 100,800	\$ 100,800		\$ 100,800		
B-01-	Meter Replacement Program - Large (manifold replac				\$ 425,100	\$ 170,000		\$ 225,000		

APPENDIX B
SOUTHERN CALIFORNIA WATER COMPANY
METROPOLITAN DISTRICT
PROPOSED CAPITAL BUDGET
2004

BUDGET	GROUP	DESCRIPTION	SCWC		ORA		Stipulation	
			2004		2004	Deferred to 2005	2004	Defer to 2005
B-01-		Automatic Meter Reading - CBE	\$ 5,000		\$ 5,000		\$ 5,000	
B-01-		Automatic Meter Reading - CBW	\$ 5,000		\$ 5,000		\$ 5,000	
B-01-		Automatic Meter Reading - CC	\$ 2,500		\$ 2,500		\$ 2,500	
B-01-		Automatic Meter Reading - SW	\$ 5,000		\$ 5,000		\$ 5,000	
		Total Blanket 01	\$ 1,716,800		\$ 1,247,700	\$	\$ 1,394,700	\$
B-02-		Services - Central	\$ 300,000		\$ 300,000		\$ 300,000	
B-02-		Services - SW	\$ 400,000		\$ 400,000		\$ 400,000	
B-06-		Minor Main Replacement - Central	\$ 300,000		\$ 210,000		\$ 300,000	
B-06-		Minor Main Replacement - SW	\$ 1,000,000		\$ 750,000		\$ 1,000,000	
B-07-		Minor Pumping Plant Equipment and Structures - Central	\$ 9,000		\$ 9,000		\$ 9,000	
B-07-		Minor Pumping Plant Equipment and Structures - SW	\$ 9,000		\$ 9,000		\$ 9,000	
B-08-		Minor Purification Equipment and Structures - Central	\$ 10,000		\$ 10,000		\$ 10,000	
B-08-		Minor Purification Equipment and Structures - SW	\$ 15,000		\$ 15,000		\$ 15,000	
B-09-		Office Furniture and Equipment - Central	\$ 20,000		\$		\$ 15,000	
B-09-		Office Furniture and Equipment - SW	\$ 20,000		\$		\$ 15,000	
B-10-		Southwest District	Est Mileage by end of 2003					
1.		Repl. Vehicle No. 618	1997 #	\$ 31,700	\$ 31,700		\$ 31,700	
2.		Repl. Vehicle No. 199	1991 #	\$ 31,700	\$ 31,700		\$ 31,700	
3.		Repl. Vehicle No. 343	1993 #	\$ 31,700	\$ 31,700		\$ 31,700	
4.		Repl. Vehicle No. 155	1989 23	\$ 36,800	\$ 36,800		\$ 36,800	
5.		Repl. Vehicle No. 160	1989 44	\$ 36,800	\$ 36,800		\$ 36,800	
		Central District						
1.		Repl. Vehicle No. 767	1999 #	\$ 36,800	\$ 36,800		\$ 36,800	
2.		Repl. Vehicle No. 302	1992 #	\$ 31,700	\$ 31,700		\$ 31,700	
3.		Repl. Vehicle No. 766	1999 #	\$ 36,800	\$ 36,800		\$ 36,800	
		Total Vehicles		\$ 274,000	\$ 274,000	\$	\$ 274,000	\$

APPENDIX B
SOUTHERN CALIFORNIA WATER COMPANY
METROPOLITAN DISTRICT
PROPOSED CAPITAL BUDGET
2004

BUDGET					SCWC	ORA		Stipulation		Advice
GROUP	DESCRIPTION				2004	2004	Deferred to 2005	2004	Defer to 2005	Letter
B-11-	Miscellaneous tools and safety equipment - Central				\$ 20,000	\$ 20,000		\$ 20,000		
B-11-	Miscellaneous tools and safety equipment - SW				\$ 30,000	\$ 30,000		\$ 30,000		
B-12-	Minor additions to general structures - Central				\$ 12,000	\$ 12,000		\$ 12,000		
B-12-	Minor additions to general structures - SW				\$ 12,000	\$ 12,000		\$ 12,000		
	TOTAL BLANKETS				\$ 4,147,800	\$ 3,298,700	\$ -	\$ 3,815,700	\$ -	\$ -
	TOTAL GROSS COST (without OTH)				\$ 28,002,400	\$ 19,388,900	\$ 5,013,900	\$ 21,858,790	\$ 2,952,100	\$ 197,800
	TOTAL GROSS COST (with Cor				\$ 30,802,600	\$ 21,328,900	\$ 5,013,900	\$ 24,044,800	\$ 4,237,300	\$ 197,800
	LESS NEW BUSINESS FUNDED BY OTH				\$ 1,800,000	\$ 1,500,000	\$ -	\$ 1,500,000	\$ -	
	TOTAL NET COST				\$ 29,002,600	\$ 19,828,900	\$ 5,013,900	\$ 22,544,800	\$ 4,237,300	\$ 197,800
	Infrastructure Program (IRP) - Deferred to 2004				\$ -	\$ 5,100,000		\$ 4,854,850		
	Construction Work in Progress (CWIP) - Deferred to 2004				\$ -	\$ 3,514,400		\$ 3,029,301		
	2003 Capital Projects deferred to 2004				\$ -	\$ 7,102,700		\$ 13,512,731		
	Charmock Basin adjustments					\$ (836,791)		\$ (836,791)		
	Overhead Adjustment				\$ -	\$ (905,230)	\$ (125,350)	\$ (469,470)		
	Total Capital Addition (w/o Region II HQ)				\$ 30,802,600	\$ 35,303,979	\$ 4,988,550	\$ 44,135,021	\$ 4,237,300	\$ 197,800
	2004 Region II - HQ				\$ 172,500	\$ 103,643		\$ 137,560		
	2004 Total Capital Addition				\$ 30,975,100	\$ 35,407,622	\$ 4,988,550	\$ 44,272,581	\$ 4,237,300	\$ 197,800

APPENDIX B
SOUTHERN CALIFORNIA WATER COMPANY
METROPOLITAN DISTRICT
PROPOSED CAPITAL BUDGET
2005

BUDGET	DESCRIPTION	SCWC	ORA	Slipulation
GROUP		2005	2005	2005
			Deferred to 2006	Deferred to 2006
				Letter
50-	Land and Water Rights			
	Southern - Purchase adjacent property	\$390,800.0	\$0.0	\$390,800.0
	TOTAL LAND AND WATER RIGHTS	\$390,800.0	\$0.0	\$390,800.0
	Water Supply			
51-	Capital District			
	Drill two replacement wells, develop, equip and install wellhead treatment, get away piping, drain line, motor control center, and site improvements	\$5,800,000.0		\$5,800,000.0
	Arroyo			
51-	Elaine - House hypochlorite tank with block building	\$64,100.0		\$64,100.0
51-	Hawes - Install Iron, Manganese & Arsenic treatment, chemical building, drain line and site improvements	\$709,500.0		\$709,500.0
51-	Hawes - Replace well pump base, fabricate discharge piping	\$81,100.0		\$81,100.0
51-	Ball / Ball Gardens	\$615,000.0		\$615,000.0
51-	Bloss - Install VOC, Iron and Manganese well head treatment for wells #1 and #2	\$15,000.0		\$15,000.0
51-	Priority - Install get away piping improvements	\$0.0		\$0.0
51-	Calaveras City	\$11,000.0		\$11,000.0
51-	WB-34 Connection - Install SCADA	\$11,000.0		\$11,000.0
51-	El Estero - Station	\$224,500.0		\$224,500.0
51-	Merrimont - Demolish elevated water tank	\$28,200.0		\$28,200.0
51-	Converse - Replace main gate, site lighting, install SCADA	\$11,000.0		\$11,000.0
51-	CB-05 Connection - Install SCADA	\$11,000.0		\$11,000.0
51-	CB-08 Connection - Install SCADA	\$0.0		\$0.0
51-	Polkville	\$2,700.0		\$2,700.0
51-	Century - Site lighting	\$41,000.0		\$41,000.0
51-	McKinley - Replace fencing & main gate, site lighting, install SCADA	\$18,800.0		\$18,800.0
51-	Coalinga - Replace main gate, site lighting, install SCADA	\$11,000.0		\$11,000.0
51-	Paramount Connection - Install SCADA	\$11,000.0		\$11,000.0
51-	South Gate Connection - Install SCADA	\$0.0		\$0.0
51-	Northridge	\$312,400.0		\$312,400.0
51-	Pleasant - Install well head treatment for one well and relocate well head treatment for two wells to 2	\$43,300.0		\$43,300.0
51-	Deer - Replace fencing & main gate, site lighting, install SCADA	\$23,900.0		\$23,900.0
51-	Imperial - Replace fencing & main gate, site lighting, install SCADA	\$11,000.0		\$11,000.0
51-	CB-23 Connection - Install SCADA	\$25,200.0		\$25,200.0
51-	CB-35 - Replace fencing & main gate, site lighting, install SCADA	\$39,900.0		\$39,900.0
51-	Willowbrook	\$11,000.0		\$11,000.0
51-	Willowbrook - Site lighting, install SCADA	\$6,707,900.0		\$6,707,900.0
51-	CB-51 Connection - Install SCADA	\$0.0		\$0.0
51-	Total Central	\$224,500.0		\$224,500.0
51-	Southeast District			
	SCADA system upgrade and connect system remote pressure measuring and CL2 sampling	\$538,800.0		\$538,800.0
	Transducer to SCADA	\$100,000.0		\$100,000.0
51-	Lawndale area - Install five (5) automatic flushing devices	\$300,000.0		\$300,000.0
51-	Belhaven - Rebuild booster pump station	\$1,839,500.0		\$1,839,500.0
51-	Building - Demolish existing tanks and construct two new 1.5 MG Reservoirs w/ site impr	\$75,000.0		\$75,000.0
51-	Compton City - Install Drain Line	\$1,415,800.0		\$1,415,800.0
51-	Doy - Construct new 2.5 MG reservoir and install drainage	\$321,400.0		\$321,400.0
51-	Goldendale - Install Chlorine generator	\$22,800.0		\$22,800.0
51-	JMWB Connection - Install CL2 injectors at five (5) locations in system	\$150,000.0		\$150,000.0
51-	Truen - Plant Irrigation and Improvements - Phase I	\$39,100.0		\$39,100.0
51-	WBS3 Connection - Upgrade to provide capability to inject sequencing and CL2 chemi	\$228,300.0		\$228,300.0
51-	WBS3 Connection - Increase flow capacity of connection from 15 cfs to 20 cfs	\$5,030,800.0		\$5,030,800.0
51-	Total Southwest	\$2,378,300.0		\$2,378,300.0
		\$2,852,500.0		\$2,852,500.0

APPENDIX B
SOUTHERN CALIFORNIA WATER COMPANY
METROPOLITAN DISTRICT
PROPOSED CAPITAL BUDGET
2005

BUDGET	GROUP	DESCRIPTION	SCWC		ORA		Stipulation		Advice	Letter
			2005		2005	2006	2005	2006		
		Misc Water Supply								
51-		Miscellaneous Bowl Replacements - CBE	\$60,000.0		\$60,000.0		\$60,000.0			
51-		Miscellaneous Bowl Replacements - CBW	\$60,000.0		\$60,000.0		\$60,000.0			
51-		Miscellaneous Bowl Replacements - CC	\$15,000.0		\$15,000.0		\$15,000.0			
51-		Miscellaneous Bowl Replacements - SW	\$75,000.0		\$75,000.0		\$75,000.0			
		Total Miscellaneous	\$230,000.0		\$230,000.0	\$0.0	\$230,000.0	\$0.0		\$0.0
		TOTAL WATER SUPPLY	\$13,193,200.0		\$9,580,400.0	\$2,602,800.0	\$12,183,200.0	\$2,602,800.0		\$1,899,800.0
52-		Miscellaneous Street Improvements - CBE	\$300,000.0		\$300,000.0		\$300,000.0			
52-		Miscellaneous Street Improvements - CBW	\$300,000.0		\$300,000.0		\$300,000.0			
52-		Miscellaneous Street Improvements - CC	\$300,000.0		\$110,000.0		\$300,000.0			
52-		Miscellaneous Street Improvements - SW	\$1,300,000.0		\$700,000.0		\$1,300,000.0			
		TOTAL STREET IMPROVEMENTS	\$2,200,000.0		\$1,410,000.0	\$0.0	\$2,200,000.0	\$0.0		\$0.0
		Distribution								
		Central District								
53-		Gate Valves Replacements	\$50,000.0		\$50,000.0		\$50,000.0			
53-		Alteia	\$50,000.0		\$50,000.0		\$50,000.0			
53-		Install 1,100' of 8" DI in Clarkdale Av from 221st St to south end	\$279,800.0		\$279,800.0		\$279,800.0			\$279,800.0
53-		Install 350' of 8" DI in 221st St from Arline Av to Clarkdale Ave	\$89,300.0		\$89,300.0		\$89,300.0			\$89,300.0
53-		Install 1,600' of 12" DI in 186th St from Pioneer Blvd to w/o RR tracks	\$416,600.0		\$416,600.0		\$416,600.0			\$416,600.0
53-		Backflow Preventers								
53-		Install 1,000' of 12" DI in Gage Av from e/o 710 Fwy to w/o Los Angeles river	\$258,000.0		\$258,000.0		\$258,000.0			\$258,000.0
53-		Install 200' of 8" DI in River Rd from e/nd of Cecelia St to e/nd of Postoria St	\$57,100.0		\$57,100.0		\$57,100.0			\$57,100.0
53-		Install 350' of 8" DI in Minnesota Lane from Flora Av to Pine Av	\$52,800.0		\$52,800.0		\$52,800.0			\$52,800.0
53-		Install 500' of 8" DI in Pine St from Gage Ave to north end	\$117,100.0		\$117,100.0		\$117,100.0			\$117,100.0
53-		Collier City								
53-		Install 720' of 8" DI in Dobson Way from Westwood Blvd to Cota St	\$170,300.0		\$170,300.0		\$170,300.0			\$170,300.0
53-		Install 1,150' of 8" DI in Motor Way from Le Bourgel Av to Farrington Drive	\$273,600.0		\$273,600.0		\$273,600.0			\$273,600.0
53-		Flanagan Fire Station								
53-		Install 2,100' of 8" DI in alley e/o Central Av from 87th St to 82nd St	\$330,500.0		\$330,500.0		\$330,500.0			\$330,500.0
53-		Holmes Station								
53-		Install 800' of 12" DI in Gardendale Av from Brock Av to Merkel Av	\$165,700.0		\$165,700.0		\$165,700.0			\$165,700.0
53-		North								
53-		Install 1,100' of 8" DI in Fairford Av from Hercules St to Kenney St	\$195,700.0		\$195,700.0		\$195,700.0			\$195,700.0
53-		Install 1,050' of 8" DI in Allen St from alley e/o Pioneer Blvd to Wynne Av	\$287,900.0		\$287,900.0		\$287,900.0			\$287,900.0
53-		Wilkesboro								
53-		Replace 14 fire hydrants in 126th St from Compton Ave to Wilkesboro Av	\$69,500.0		\$69,500.0		\$69,500.0			\$69,500.0
		TOTAL CENTRAL DISTRIBUTION	\$2,883,700.0		\$1,448,700.0	\$1,415,000.0	\$4,347,400.0	\$1,415,000.0		\$0.0
										\$0.0

APPENDIX B
SOUTHERN CALIFORNIA WATER COMPANY
METROPOLITAN DISTRICT
PROPOSED CAPITAL BUDGET
2005

BUDGET GROUP	DESCRIPTION	SCWC 2005	ORA		Advice Letter	Stipulation		Advice Letter
			2005	Deferred to 2006		2005	Deferred to 2006	
53-	Southwest System							
53-	Gate Valves Replacements	\$300,000.0				\$300,000.0		
53-	Fire Hydrants Replacements	\$200,000.0				\$125,000.0		
	Alhambra					\$0.0		
53-	Install 1,500' of 12" DI in 108th St from Denker Av to alley w/o Western Ave	\$385,100.0		\$385,100.0			\$385,100.0	
53-	Install 2,250' of 12" DI and 700' of 8" DI in Compton Blvd., from alley w/o Central Ave to D	\$1,155,500.0		\$1,155,500.0			\$1,155,500.0	
53-	Install 1,700' of 12" DI in Denker Ave from Marine Ave to Redondo Beach Blvd.	\$432,400.0		\$432,400.0			\$432,400.0	
53-	Install 800' of 12" DI in El Segundo Blvd., from Towne Ave to Avalon Blvd.	\$201,400.0		\$201,400.0			\$201,400.0	
53-	Install 2,100' of 8" DI in 139th St from Glasgow Pl to Judah Ave	\$662,200.0				\$662,200.0		
53-	Install 1,650' of 8" DI in Freeman Av from 165th St to alley n/o Redondo Beach Blvd.	\$396,800.0		\$396,800.0			\$396,800.0	
53-	Install 550' of 8" DI in 104th St from Felton Ave to Ocean Gate Ave	\$100,400.0		\$100,400.0			\$100,400.0	
	TOTAL SOUTHWEST DISTRIBUTION	\$3,833,800.0		\$2,671,000.0	\$0.0	\$1,087,200.0	\$2,381,200.0	\$0.0
	TOTAL DISTRIBUTION	\$4,067,500.0		\$4,066,800.0	\$0.0	\$2,535,900.0	\$3,230,900.0	\$0.0
	Miscellaneous	\$0.0						
55-	Central District Office Relocation Capital Improvements	\$400,000.0						\$400,000.0
55-	Conservation Projects	\$700,000.0				\$570,000.0		
	TOTAL MISCELLANEOUS	\$1,100,000.0		\$0.0		\$570,000.0	\$0.0	\$400,000.0
57-	Contingency	\$2,953,100.0				\$1,923,500.0	\$966,900.0	\$0.0
	TOTAL CONTINGENCY	\$2,953,100.0				\$1,923,500.0	\$966,900.0	\$0.0
60-	New Business funded by SCWC	\$80,000.0				\$40,000.0		
60-	New Business funded by Others	\$1,800,000.0				\$1,500,000.0		
	TOTAL NEW BUSINESS	\$1,880,000.0		\$0.0		\$1,540,000.0		\$0.0
B-01-	Blankets	\$504,100.0				\$336,000.0		
B-01-	Meters - New Services & Replacement, Sluck	\$78,700.0				\$78,700.0		
B-01-	Meter Replacement Program - Small - CBE	\$82,400.0				\$82,400.0		
B-01-	Meter Replacement Program - Small - Culver City	\$51,200.0				\$51,200.0		
B-01-	Meter Replacement Program - Small - Southwest	\$150,800.0				\$150,800.0		
B-01-	Vault Lid Replacements - CBE	\$19,800.0				\$19,800.0		
B-01-	Vault Lid Replacements - CBW	\$10,000.0				\$10,000.0		
B-01-	Vault Lid Replacements - Culver City	\$11,800.0				\$11,800.0		
B-01-	Vault Lid Replacements - Southwest	\$49,000.0				\$49,000.0		

APPENDIX B
SOUTHERN CALIFORNIA WATER COMPANY
METROPOLITAN DISTRICT
PROPOSED CAPITAL BUDGET
2005

BUDGET GROUP	DESCRIPTION					SCWC	ORA		Advice Letter	Stipulation		Advice Letter
						2005	Deferred to 2006	2005		Deferred to 2006	2005	
B-01-	Meter Replacement Program - Large (manifold replacement)-CBE					\$143,900.0		\$62,000.0			\$100,000.0	
B-01-	Meter Replacement Program - Large (manifold replacement)-CBW					\$102,300.0		\$102,300.0			\$102,300.0	
B-01-	Meter Replacement Program - Large (manifold replacement)-Culver City					\$102,300.0		\$102,300.0			\$102,300.0	
B-01-	Meter Replacement Program - Large (manifold replacement)-Southwest					\$431,300.0		\$170,000.0			\$260,000.0	
B-01-	Automatic Meter Reading - CBE					\$5,000.0		\$5,000.0			\$5,000.0	
B-01-	Automatic Meter Reading - CBW					\$5,000.0		\$5,000.0			\$5,000.0	
B-01-	Automatic Meter Reading - CC					\$2,500.0		\$2,500.0			\$2,500.0	
B-01-	Automatic Meter Reading - SW					\$5,000.0		\$5,000.0			\$5,000.0	
B-02-	Services - Central					\$1,784,000.0	\$0.0	\$1,784,000.0	\$0.0		\$1,784,000.0	\$0.0
B-02-	Services - SW					\$300,000.0		\$300,000.0			\$300,000.0	
B-03-	Minor Main Replacement - Central					\$400,000.0		\$400,000.0			\$400,000.0	
B-03-	Minor Main Replacement - SW					\$300,000.0		\$210,000.0			\$90,000.0	
B-07-	Minor Pumping Plant Equipment and Structures - Central					\$1,000,000.0		\$750,000.0			\$250,000.0	
B-07-	Minor Pumping Plant Equipment and Structures - SW					\$9,000.0		\$9,000.0			\$9,000.0	
B-08-	Minor Purification Equipment and Structures - Central					\$10,000.0		\$10,000.0			\$10,000.0	
B-08-	Minor Purification Equipment and Structures - SW					\$15,000.0		\$15,000.0			\$15,000.0	
B-09-	Office Furniture and Equipment - Central					\$20,000.0		\$0.0			\$20,000.0	
B-09-	Office Furniture and Equipment - SW					\$20,000.0		\$0.0			\$20,000.0	
B-10-	Vehicles											
	Southwest District				Year							
1.	Repl. Vehicle No. 344				1993	\$31,700.0		\$31,700.0			\$31,700.0	
2.	Repl. Vehicle No. 707				1998	\$31,700.0		\$31,700.0			\$31,700.0	
3.	Repl. Vehicle No. 1012				2001	\$31,700.0		\$31,700.0			\$31,700.0	
	Central District											
1.	Repl. Vehicle No. 771				1999	\$38,800.0		\$38,800.0			\$38,800.0	
2.	Repl. Vehicle No. 733				1999	\$28,000.0		\$28,000.0			\$28,000.0	
	Total Vehicles					\$157,900.0	\$0.0	\$157,900.0	\$0.0		\$157,900.0	\$0.0
B-11-	Miscellaneous tools and safety equipment - Central					\$20,000.0		\$20,000.0			\$20,000.0	
B-11-	Miscellaneous tools and safety equipment - SW					\$30,000.0		\$30,000.0			\$30,000.0	
B-12-	Minor additions to general structures - Central					\$12,000.0		\$12,000.0			\$12,000.0	
B-12-	Minor additions to general structures - SW					\$12,000.0		\$12,000.0			\$12,000.0	
	TOTAL BLANKETS					\$4,089,500.0	\$0.0	\$3,198,300.0	\$0.0		\$878,200.0	\$0.0
	TOTAL GROSS COST (without Contingency)					\$28,831,000.0	\$6,698,400.0	\$10,238,400.0	\$4,698,000.0		\$28,831,000.0	\$4,698,000.0
	TOTAL GROSS COST (with Contingency)					\$32,484,100.0	\$7,358,300.0	\$11,163,900.0	\$4,698,000.0		\$32,484,100.0	\$4,698,000.0
	LESS NEW BUSINESS FUNDED BY OTHERS					\$1,800,000.0		\$1,500,000.0	\$0.0		\$1,800,000.0	\$0.0
	TOTAL NET COST					\$30,684,100.0		\$19,663,900.0	\$4,698,000.0		\$30,684,100.0	\$4,698,000.0
	Infrastructure Program (IRP) - Deferred to 2005					\$0.0		\$0.0	\$0.0		\$0.0	\$0.0
	Construction Work in Progress (CWIP) - Deferred to 2005					\$0.0		\$359,300.0	\$0.0		\$0.0	\$0.0
	2004 Capital Projects deferred to 2/05					\$0.0		\$5,013,900.0	\$0.0		\$4,237,300.0	\$0.0
	Other adjustments											
	Overhead Adjustment											
	Total Capital Addition (w/o Region II HQ)					\$32,484,100.0	\$7,358,300.0	\$25,866,900.0	\$4,698,000.0		\$32,484,100.0	\$4,698,000.0
	2004 Region II - HQ					\$179,100.0		\$114,400.0	\$0.0		\$141,210.0	\$0.0
	2005 Total Capital Addition					\$32,663,200.0	\$7,358,300.0	\$25,981,300.0	\$4,698,000.0		\$32,663,200.0	\$4,698,000.0

ATTACHMENT B

APPENDIX A
PAGE 1 of 2
SOUTHERN CALIFORNIA WATER COMPANY
Region 2 – Summary
SUMMARY OF EARNINGS – TEST YEAR 2004
(In Thousand Dollars)

	AT PRESENT RATES		ADOPTED	
	<u>SCW</u>	<u>ORA</u>	<u>AT PRESENT RATES</u>	<u>AT AUTHORIZED RATES</u>
OPERATING REVENUES	79,529.4	82,036.2	80,747.4	85,948.7
OPERATION EXPENSES				
Purchased Water	20,401.8	21,035.0	20,776.6	20,776.6
Purchased Power	1,779.9	1,977.8	2,077.1	2,077.1
Pump Taxes	4,010.5	3,946.5	4,365.7	4,365.7
Chemicals	541.4	508.0	499.2	499.2
Allocated Common Cust. Acct. (G.O.)	1,217.3	1,127.6	1,127.6	1,127.6
Allocated Common Cust. Acct. (Region)	0.0	0.0	0.0	0.0
Allocated Common Cust. Acct. (District)	0.0	0.0	0.0	0.0
Postage	0.0	0.0	0.0	0.0
Uncollectibles	302.7	302.7	307.6	327.5
Operation Labor	2,309.2	1,924.0	2,133.7	2,133.7
Other Operation Expenses	1,462.9	1,428.7	1,477.7	1,477.7
TOTAL OPERATION EXPENSES	45,191.8	32,250.3	32,765.2	32,785.0
Maintenance Labor	1,084.4	1,032.2	1,116.2	1,116.2
Other Maintenance Expenses	4,166.9	2,849.5	3,436.9	3,436.9
TOTAL MAINTENANCE EXPENSE	5,251.3	3,881.7	4,553.0	4,553.0
Office Supplies & Expenses	238.8	140.1	237.9	237.9
Property Insurance	0.0	0.0	0.0	0.0
Injuries and Damages	0.0	0.0	0.0	0.0
Pension and Benefits	27.4	12.0	27.5	27.5
Business Meals	1.2	1.2	1.2	1.2
Regulatory Expenses	170.9	170.9	170.9	170.9
Outside Services	317.8	317.8	319.7	319.7
Miscellaneous	10.3	10.3	10.3	10.3
Allocated General Office Expenses	9,577.0	9,004.1	9,004.1	9,004.1
Allocated Region Office Expenses	1,224.3	645.2	1,040.1	1,040.1
Allocated District Office Expenses	1,777.6	1,261.0	1,477.4	1,477.4
Other Maintenance of General Plant	73.0	20.8	73.4	73.4
Rent	269.3	269.3	269.6	269.6
A&G Expenses Capitalized	0.0	0.0	0.0	0.0
A&G Labor	562.6	504.9	544.4	544.4
TOTAL ADMIN & GENERAL EXPENSES	14,250.2	12,357.6	13,176.5	13,176.7
DEPRECIATION AND AMORTIZATION	8,405.7	7,598.8	7,443.0	7,443.0
Property Taxes	2,575.1	1,958.6	2,135.6	2,135.6
Payroll Taxes	312.6	273.4	300.6	300.6
Local Taxes	966.9	993.9	981.9	1,045.1
State Income Tax	924.3	1,613.4	1,228.6	1,681.0
Federal Income Tax	2,777.0	5,592.4	4,212.0	6,003.4
TOTAL OPERATING EXPENSES	67,488.8	66,521.1	66,796.5	69,123.4
NET OPERATING REVENUE	12,040.6	15,515.1	13,950.9	16,825.3
RATE BASE	\$212,187.0	\$183,147.7	\$191,849.5	\$191,849.5
RATE OF RETURN	5.67%	8.47%	7.27%	8.77%

APPENDIX A
PAGE 2 of 2
SOUTHERN CALIFORNIA WATER COMPANY
Region 2 – Summary
SUMMARY OF EARNINGS – TEST YEAR 2005
(In Thousand Dollars)

	AT PRESENT RATES		ADOPTED	
	SCW	ORA	AT PRESENT RATES	AT AUTHORIZED RATES
OPERATING REVENUES	79,787.9	82,302.5	81,008.2	91,337.6
OPERATION EXPENSES				
Purchased Water	22,472.4	21,145.2	20,886.5	20,886.5
Purchased Power	1,780.2	1,978.1	2,077.3	2,077.3
Pump Taxes	4,409.3	3,946.5	4,365.7	4,365.7
Chemicals	556.8	516.2	512.2	512.2
Allocated Common Cust. Acct. (G.O.)	1,245.3	1,143.8	1,156.9	1,156.9
Allocated Common Cust. Acct. (Region)	0.0	0.0	0.0	0.0
Allocated Common Cust. Acct. (District)	0.0	0.0	0.0	0.0
Postage	0.0	0.0	0.0	0.0
Uncollectibles	303.6	303.6	308.6	348.0
Operation Labor	2,380.7	1,947.0	2,184.3	2,184.3
Other Operation Expenses	1,499.0	1,433.5	1,510.8	1,510.8
TOTAL OPERATION EXPENSES	34,647.3	32,413.9	33,002.4	33,041.8
Maintenance Labor	1,118.0	1,048.8	1,142.7	1,142.7
Other Maintenance Expenses	4,424.3	2,887.3	3,526.2	3,526.2
TOTAL MAINTENANCE EXPENSE	5,542.3	3,936.1	4,668.9	4,668.9
Office Supplies & Expenses	245.6	143.6	244.1	244.1
Property Insurance	0.0	0.0	0.0	0.0
Injuries and Damages	0.0	0.2	0.0	0.0
Pension and Benefits	28.2	12.3	28.3	28.3
Business Meals	1.2	1.3	1.2	1.2
Regulatory Expenses	170.9	170.9	170.9	170.9
Outside Services	326.9	326.9	328.0	328.0
Miscellaneous	10.6	10.6	10.6	10.6
Allocated General Office Expenses	9,797.3	9,133.8	9,238.2	9,238.2
Allocated Region Office Expenses	1,279.0	661.6	1,064.7	1,064.7
Allocated District Office Expenses	1,826.8	1,293.1	1,512.1	1,512.1
Other Maintenance of General Plant	75.1	21.3	75.3	75.3
Rent	278.4	278.4	276.6	276.6
A&G Expenses Capitalized	0.0	0.0	0.0	0.0
A&G Labor	580.0	511.8	557.4	557.4
TOTAL ADMIN & GENERAL EXPENSES	14,620.0	12,565.8	13,507.4	13,507.3
DEPRECIATION AND AMORTIZATION	9,573.7	8,793.6	8,930.7	8,930.7
Property Taxes	2,846.0	2,084.0	2,491.8	2,491.8
Payroll Taxes	322.3	277.0	307.7	307.7
Local Taxes	970.0	997.1	985.1	1,110.7
State Income Tax	307.7	1,358.2	945.0	1,843.6
Federal Income Tax	444.7	4,351.8	2,944.6	6,502.1
TOTAL OPERATING EXPENSES	69,274.1	66,777.5	67,783.5	72,404.6
NET OPERATING REVENUE	10,513.9	15,525.0	13,224.7	18,933.0
RATE BASE	\$234,583.5	\$203,155.1	\$216,375.1	\$216,375.1
RATE OF RETURN	4.48%	7.64%	6.11%	8.75%

Appendix B
Page 1 of 2

Southern California Water Company
Schedule No. ME-1
Region II Service Area

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Portions of the Cities of Artesia, Bell, Bell Gardens, Carson, Cerritos, Compton, Cudahy, Culver City, Downey, El Segundo, Gardena, Hawaiian Gardens, Hawthorne, Huntington Park, Inglewood, Lakewood, La Mirada, Lawndale, Long Beach, Norwalk, Paramount, Santa Fe Springs, South Gate, and the communities of Athens, Lennox, Moneta and vicinity, Los Angeles County, and portions of the City of Los Alamitos, Orange County.

RATES

Quantity Rates:

For all water delivered, per 100 cu. ft.....\$1.941 (I)

Service Charge:

Per Meter
Per Month

For	5/8 x 3/4-inch meter.....	\$15.00	(I)
For	3/4-inch meter.....	\$22.50	
For	1-inch meter.....	\$37.50	
For	1-1/2-inch meter.....	\$74.95	
For	2-inch meter.....	\$120.00	
For	3-inch meter.....	\$225.00	
For	4-inch meter.....	\$375.00	
For	6-inch meter.....	\$750.00	
For	8-inch meter.....	\$1,199.00	
For	10-inch meter.....	\$1,724.00	(I)

The Service Charge is a readiness-to-serve charge applicable to all metered service and to which is added the charge for water used computed at the Quantity Rate.

SPECIAL CONDITIONS

1. All bills are subject to the reimbursement fee set forth on Schedule No. UF.
2. Due to the increase in energy purveyor rates, a surcharge in the amount of \$0.0049 per Ccf is to be added to the Quantity Rates beginning on April 1, 2001.

(D)

Appendix B
Page 2 of 2

Southern California Water Company
Schedule No. ME-3
Region II Service Area

RECLAIMED WATER SERVICE

APPLICABILITY

Applicable to all metered reclaimed (non-potable) water service for irrigation and/or industrial use.

TERRITORY

Portions of the Cities of Artesia, Bell, Bell Gardens, Carson, Cerritos, Compton, Cudahy, Culver City, Downey, El Segundo, Gardena, Hawaiian Gardens, Hawthorne, Huntington Park, Inglewood, Lakewood, La Mirada, Lawndale, Long Beach, Norwalk, Paramount, Santa Fe Springs, South Gate, and the communities of Athens, Lennox, Moneta and vicinity, Los Angeles County, and portions of the City of Los Alamitos, Orange County.

RATES

Quantity Rates:

For all water delivered, per 100 cu. ft.....\$1.143 (I)

Service Charge:

Per Meter
Per Month

For	5/8 x 3/4-inch meter.....	\$2.80	(I)
For	3/4-inch meter.....	\$3.60	
For	1-inch meter.....	\$4.55	
For	1-1/2-inch meter.....	\$8.50	
For	2-inch meter.....	\$11.20	
For	3-inch meter.....	\$66.25	
For	4-inch meter.....	\$98.75	
For	6-inch meter.....	\$134.00	
For	8-inch meter.....	\$176.00	
For	10-inch meter.....	\$225.00	

The Service Charge is a readiness-to-serve charge applicable to all metered service and to which is added the charge for water used computed at the Quantity Rate.

SPECIAL CONDITIONS

All bills are subject to the reimbursement fee set forth on Schedule No. UF.

Appendix C
Page 1 of 2

Metropolitan District
Schedule No. ME-1

Each of the following increases in rates may be put into effect on the indicated date by filing a rate schedule which adds the appropriate increase to the rate which would otherwise be in effect on that date.

	<u>2005</u>	<u>2006</u>
Quantity Rates:		
For all water delivered, per 100 cu. ft.....	\$0.085	\$0.114
Service Charge:		
For 5/8 x 3/4-inch meter.....	\$1.35	\$0.95
For 3/4-inch meter.....	\$2.05	\$1.40
For 1-inch meter.....	\$3.45	\$2.30
For 1-1/2-inch meter.....	\$6.90	\$4.65
For 2-inch meter.....	\$11.00	\$7.00
For 3-inch meter.....	\$21.00	\$14.00
For 4-inch meter.....	\$34.00	\$24.00
For 6-inch meter.....	\$69.00	\$46.00
For 8-inch meter.....	\$111.00	\$74.00
For 10-inch meter.....	\$159.00	\$107.00

Appendix C

Page 2 of 2

Metropolitan District Schedule No. ME-3

Each of the following increases in rates may be put into effect on the indicated date by filing a rate schedule which adds the appropriate increase to the rate which would otherwise be in effect on that date.

	<u>2005</u>	<u>2006</u>
Quantity Rates:		
For all water delivered, per 100 cu. ft.....	\$0.113	\$0.125
Service Charge:		
For 5/8 x 3/4-inch meter.....	\$1.10	\$1.55
For 3/4-inch meter.....	\$1.60	\$2.25
For 1-inch meter.....	\$2.40	\$3.60
For 1-1/2-inch meter.....	\$4.60	\$7.10
For 2-inch meter.....	\$6.75	\$10.85
For 3-inch meter.....	\$18.10	\$22.65
For 4-inch meter.....	\$30.25	\$39.00
For 6-inch meter.....	\$55.00	\$77.00
For 8-inch meter.....	\$82.00	\$119.00
For 10-inch meter.....	\$112.00	\$169.00

Appendix D

Southern California Water Company Metropolitan District – A.03-10-006

Adopted Quantities

Page 1 of 8

	<u>2004</u>	<u>2005</u>
<u>PURCHASED POWER</u>		
WELLS:		
Total Production (KCcf)	14,600.0	14,600.0
Kwh per Ccf	1.4540	1.4540
SoCal. Edison		
Total Kwh	19,943,963	19,943,963
Unit Cost (\$/Kwhr)	0.092632	0.092632
Power Cost (wells)	\$1,847,458.0	\$1,847,458.0
DWR Ratio	40%	40%
DWP Electric:		
Total Kwh	1,286,570	1,286,570
Unit Cost (\$/Kwhr)	0.08101	0.08101
Power Cost	\$104,226.0	\$104,226.0
S. C. Gas		
Total therms	20.0	20.0
Unit Cost (\$/therm)	14.15000	14.15000
Power Cost	\$283.0	\$283.0
BOOSTERS:		
SoCal. Edison		
Total Production (KCcf)	30,809.2	30,903.6
Kwh per Ccf	0.0349	0.03493
Total Kwh	1,076,193	1,079,491
Unit Cost (\$/Kwhr)	0.116230	0.116145
Power Cost (boosters)	\$125,086.0	\$125,377.0
DWR Ratio	40%	40%
Total Purchased Power Cost	\$2,077,053.0	\$2,077,344.0

Appendix D

Southern California Water Company Metropolitan District – A.03-10-006

Adopted Quantities

Page 2 of 8

<u>PURCHASED WATER</u>		<u>\$/AF</u>	<u>Cfs</u>	<u>KCcf</u>	<u>KCcf</u>
Central Basin MWD	Jul-04	\$467.00		3,528.1	3548.6
West Basin MWD	Jul-04	\$520.00		11,809.6	11,879.9
Central Basin Reclaimed Jul-04					
0-25 AF		\$299.00		10.89	10.9
26-50		\$278.00		10.89	10.9
51-100		\$258.00		21.78	21.8
over		\$237.00		103.24	103.2
West Basin Reclaimed	Jul-04				
0-25 AF		\$303.00		10.89	10.9
26-50		\$283.00		10.89	10.9
51-100		\$263.00		21.78	21.8
101-200		\$243.00		43.56	43.6
Over		\$223.00		27.48	27.5
City of Cerritos	Jul-04	\$475.40		610.09	613.6
City of Inglewood	Jul-04	\$1,172.43		0.00	0.0
Total KCcf				16,209.1	16,303.6
Central Basin MWD \$					
Quantity Charge				\$3,782,419.8	\$3,804,427.0
Peaking Surcharge		\$0.0		\$0.0	\$0.0
Capacity Reservation Charge		\$4,500/Cfs		\$121,500.0	\$121,500.0
Service Charge		\$30/Cfs	73	\$26,280.0	\$26,280.0
West Basin MWD \$					
Quantity Charge				\$14,097,750.0	\$14,181,679.2
Peaking Surcharge		\$0.0		\$0.0	\$0.0
Capacity Reservation Charge		\$4,900/Cfs		\$273,469.0	\$273,469.0
Service Charge		\$20/CFS	160	\$38,400.0	\$38,400.0
Central Basin Reclaimed \$				\$83,521.0	\$83,521.0
West Basin Reclaimed \$				\$66,168.0	\$66,168.0
City of Cerritos \$				\$665,834.0	\$669,712.0
Suburban Water System					
Service Charge		\$377.33		\$4,528.0	\$4,528.0
City of Inglewood \$					
Service Charge		\$360.00		\$4,320.0	\$4,320.0
City of Paramount					
Service Charge		\$71.50		\$858.0	\$858.0
Total Purchased Water Cost				\$19,165,047.8	\$19,274,862.2

Appendix D

Southern California Water Company Metropolitan District – A.03-10-006

Adopted Quantities

Page 3 of 8

<u>REPLENISHMENT TAX</u>	<u>\$/AF</u>	<u>2004 KCcf</u>	<u>2005 KCcf</u>
Water Replenishment District Total Well Production (AF)	\$128.25 /AF	14,600	14,600
Pump Tax Cost		\$4,298,553.7	\$4,298,553.7
Administration Costs		\$67,185.4	\$67,185.4
Total Replenishment Cost		\$4,365,739.1	\$4,365,739.1
 <u>Leased Water Rights</u>	 <u>\$/AF</u>	 <u>KCcf</u>	 <u>KCcf</u>
Leased Water Rights		2,686	2,686
From Central Basin	\$214.93	2,068	2,068
From West Basin	\$118.09	618	618
Chevron Water Rights	\$116.00	1,591	1,591
Leased Water Rights Cost			
From Central Basin		\$1,020,589.3	\$1,020,589.3
From West Basin		\$167,495.9	\$167,495.9
Chevron Water Rights		\$423,550.8	\$423,550.8
Total Leased Water Rights Cost		\$1,611,636.0	\$1,611,636.0
 Total Chemical Cost		 \$499,180.0	 \$512,159.0

Appendix D

Southern California Water Company Metropolitan District – A.03-10-006

Adopted Quantities

Page 4 of 8

RATE BASE

(Dollars in thousands)

	<u>2004</u>	<u>2005</u>
RATE BASE		
Utility Plant	283,158.1	318,023.7
Acquisition Adjustment	(8,321.1)	(8,321.1)
Total Utility Plant	274,837.0	309,702.6
Depreciation Reserve	(68,296.6)	(76,318.9)
Net Utility Plant	206,540.4	233,383.7
Material & Supplies	270.5	270.5
Advances for Construction	(7,866.1)	(7,997.1)
Contribution	(13,584.3)	(13,932.8)
Rate Base before Adjustment	185,360.5	211,724.3
ACRS & MACRS Depreciation	(19,056.6)	(21,978.0)
Investment Tax Credit	(510.0)	(496.6)
Capitalized Items	4,444.1	5,128.8
Sliver	(36.0)	(34.7)
Advances (Gross-Up)	1,148.4	1,225.5
Contributions (Gross-Up)	1,560.3	1,717.4
Deferred Revenues	(391.9)	(451.4)
Invest. in Other Water Companies	0.0	0.0
Deferred Rate Case Expenses	0.0	0.0
Allowance for Working Cash	3,662.0	3,662.0
Common Utility Allocation	15,668.8	15,878.0
Weighted Average Rate Base	191,849.6	216,375.1

Appendix D

Southern California Water Company Metropolitan District – A.03-10-006

Adopted Quantities

Page 5 of 8

	<u>2004</u>	<u>2005</u>
Plant in Service - BOY	\$261,362.7	\$304,953.5
Additions		
Utility Funded	42,772.6	25,047.4
Advances	733.1	733.1
Contributions	766.9	766.9
	-----	-----
Gross Additions	\$44,272.5	\$26,547.4
Retirements	(681.6)	(406.8)
	-----	-----
Plant in Service - EOY	304,953.5	331,094.0
Weighting Factor	50%	50%
	-----	-----
Wtd. Avg. Plant in Service	283,158.1	318,023.8
Acquisition Adjustments	(8,321.1)	(8,321.1)
Wtd. Avg. Plant in Service	\$274,837.0	\$309,702.7

SOUTHERN CALIFORNIA WATER COMPANY
ADOPTED QUANTITIES
METROPOLITAN DISTRICT - A.03-10-006
Appendix D page 6 of 8
TEST YEARS 2004 & 2005

WATER CONSUMPTION

<u>Classification</u>	<u>Service Connection</u>		<u>Usage (CCF/CUST)</u>		<u>Consumption (KCcf)</u>	
METERED SERVICES :						
	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>
Commercial	96,802	97,101	274.0	274.0	26,523.7	26,605.7
Industrial	258	259	2,965.0	2,965.0	765.0	767.9
Public Authority	687	689	2,462.8	2,462.8	1,691.9	1,696.9
Irrigation	57	57	808.2	808.2	46.1	46.1
Reclaimed	37	37	7,054.4	7,054.4	261.0	261.0
Other	7	7	801.6	801.6	5.6	5.6
Total Metered	97,848	98,150			29,293.4	29,383.2
PRIVATE FIRE PROTECTION	1,620	1,625				
TOTAL CONNECTIONS	99,468	99,775			29,293.4	29,383.2
UNACCOUNTED WATER	4.92%	4.92%			1,515.9	1,520.5
TOTAL WATER PRODUCTION					30,809.2	30,903.7
WELLS (KCcf)					14,600.0	14,600.0
PURCHASED WATER (KCcf)					15,947.8	16,042.3
RECLAIMED WATER (KCcf)					261.4	261.4
					30,809.2	30,903.7

SOUTHERN CALIFORNIA WATER COMPANY
ADOPTED QUANTITIES
METROPOLITAN DISTRICT - A.03-10-006
Appendix D page 7 of 8
TEST YEARS 2004 & 2005

<u>Number of Metered Services</u>	<u>Schedule ME-1</u>		<u>Schedule ME-3</u>	
	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>
Meter Size				
5/8 x 3/4 -inch meter	80,568	80,816	0	0
3/4	304	305	0	0
1	9,940	9,970	0	0
1 1/2	2,909	2,918	0	0
2	3,598	3,610	8	8
3	404	406	17	17
4	67	67	7	7
6	19	19	4	4
8	1	1	1	1
10	1	1	0	0
	-----	-----	-----	-----
TOTAL METERED SERVICES	97,811	98,113	37	37
 Total Metered Services - all tariffs	 97,848	 98,150		
 Private Fire	 1,620	 1,625		
	-----	-----		
Total Customers	99,468	99,775		
	=====	=====		

APPENDIX D
Southern California Water Company
Metropolitan District – A.03-10-006

Adopted Quantities
Page 8 of 8

Composite Rates

2004

	Unit	Requirement	Total Cost	Composite Unit
Energy - Electricity	kw h	22,306,726	\$2,076,770	\$0.09310
Energy - Gas	Therms	20	\$283	\$14.05613
Replenishment Tax	Ccf	14,600,000	\$4,365,739	\$0.29902
Purchased Water	Ccf	16,209,164	\$20,776,646	\$1.28178

2005

	Unit	Requirement	Total Cost	Composite Unit
Energy - Electricity	kw h	22,310,024	\$2,077,061	\$0.09310
Energy - Gas	Therms	20	\$283	\$14.01854
Replenishment Tax	Ccf	14,600,000	\$4,365,739	\$0.29902
Purchased Water	Ccf	16,303,573	\$20,886,484	\$1.28110

APPENDIX E
Page 1 of 1
SOUTHERN CALIFORNIA WATER COMPANY- METROPOLITAN / REGION II
ATTRITION CALCULATION FOR 2006

Financials

Rate of Return Adopted Authorized for 2006	8.74%
Rate of Return Adopted Authorized for 2005	8.75%
Difference:	<u>-0.01%</u>

Operational

2004 Rate of Return at Present Rates	8.77%
2005 Rate of Return at Present Rates	7.44%
Difference:	<u>1.33%</u>

Total Attrition 1.32%

Net to Gross Multiplier 1.809590000

2005 Rate Base \$216,375,100

2006 Attrition = Total Attrition x 2005 Rate Base x Net-to-Gross \$5,168,463

Operating Revenues for 2006 = (2005 Operating Revenue + 2006 Attrition)

Operating Revenue for 2005	\$91,337,600
Operating Revenue for 2006	\$96,506,063

Increase from 2005 to 2006 **5.6586%**

SOUTHERN CALIFORNIA WATER COMPANY
METROPOLITAN DISTRICT - A.03-10-006

Schedule ME-1
Bill Comparison for 5/8-inch Meter

2004 Rates

Monthly Usage (Cubic Feet)	At Present Rates	At Adopted Rates	Increase Amount	Percent Increase
500	\$22.68	\$24.71	\$2.03	8.93%
1,000	\$32.36	\$34.41	\$2.05	6.33%
1,500	\$42.04	\$44.12	\$2.08	4.94%
2,300 (Avg.)	\$57.53	\$59.64	\$2.12	3.68%
2,500	\$61.40	\$63.53	\$2.13	3.46%
3,000	\$71.08	\$73.23	\$2.15	3.02%
4,000	\$90.44	\$92.64	\$2.20	2.43%
10,000	\$206.60	\$209.10	\$2.50	1.21%

2005 Rates

Monthly Usage (Cubic Feet)	2004 Rates	2005 Rates	Increase Amount	Percent Increase
500	\$24.71	\$26.48	\$1.78	7.18%
1,000	\$34.41	\$36.61	\$2.20	6.39%
1,500	\$44.12	\$46.74	\$2.62	5.95%
2,300 (Avg.)	\$59.64	\$62.95	\$3.31	5.54%
2,500	\$63.53	\$67.00	\$3.48	5.47%
3,000	\$73.23	\$77.13	\$3.90	5.33%
4,000	\$92.64	\$97.39	\$4.75	5.13%
10,000	\$209.10	\$218.95	\$9.85	4.71%

SOUTHERN CALIFORNIA WATER COMPANY
METROPOLITAN DISTRICT - A.03-10-006

Schedule ME-3
Bill Comparison for 3-inch Meter

2004 Rates

Monthly Usage (Cubic Feet)	At Present Rates	At Adopted Rates	Increase Amount	Percent Increase
5,000	\$105.90	\$123.40	\$17.50	16.53%
10,000	\$158.85	\$180.55	\$21.70	13.66%
25,000	\$317.70	\$352.00	\$34.30	10.80%
58,800 (Avg.)	\$675.64	\$738.33	\$62.69	9.28%
75,000	\$847.20	\$923.50	\$76.30	9.01%
100,000	\$1,111.95	\$1,209.25	\$97.30	8.75%
120,000	\$1,323.75	\$1,437.85	\$114.10	8.62%
150,000	\$1,641.45	\$1,780.75	\$139.30	8.49%

2005 Rates

Monthly Usage (Cubic Feet)	2004 Rates	2005 Rates	Increase Amount	Percent Increase
5,000	\$123.40	\$147.15	\$23.75	19.25%
10,000	\$180.55	\$209.95	\$29.40	16.28%
25,000	\$352.00	\$398.35	\$46.35	13.17%
58,800 (Avg.)	\$738.33	\$822.88	\$84.54	11.45%
75,000	\$923.50	\$1,026.35	\$102.85	11.14%
100,000	\$1,209.25	\$1,340.35	\$131.10	10.84%
120,000	\$1,437.85	\$1,591.55	\$153.70	10.69%
150,000	\$1,780.75	\$1,968.35	\$187.60	10.53%

APPENDIX G
Southern California Water Company – A.03-10-006
Metropolitan District

Income Taxes

(In thousand dollars)

	2004	2005
Operating Revenues	85,948.7	91,337.6
Deductions:		
Operating Expenses	61,439.0	64,058.8
Book Depreciation-District	(7,443.0)	(8,930.7)
Book Depreciation-G.O.	(536.8)	(550.7)
Interest	7,328.6	8,222.3
	0.0	0.0
Deductions excluding Depreciation	60,787.9	62,799.6
 STATE TAX		
Taxable Income before Tax Depreciation and Other Sch. M's	25,160.9	28,537.9
Add (Deduct):		
Tax Depreciation-State	(6,779.2)	(8,317.5)
Other Schedule M Items	634.5	634.5
State Taxable Income	19,016.2	20,854.9
Total State Tax @ 8.84%	1,681.0	1,843.6
 FEDERAL TAX CALCULATION:		
Taxable Income before Tax Depreciation and Other Schedule M's	25,160.9	28,537.9
Add (Deduct):		
Excess Tax Depreciation-Flow Through	657.5	669.7
Book Depreciation-District	(7,443.0)	(8,930.7)
Book Depreciation-G.O.	(536.8)	(550.7)
State Tax	(1,228.6)	(1,681.0)
Other Schedule M Items	617.9	617.9
Def Rev Amort - Contrib.	(75.3)	(85.5)
Federal Taxable Income	17,152.6	18,577.5
Federal Tax @ 35.00%	6,003.4	6,502.1
 Total Federal & State Tax	7,684.4	8,345.7